One Strong Brand

Mullen Transportation Inc.

ANNUAL REPORT 2002

Corporate Profile

Mullen Transportation Inc. is a broad-based transportation and service company that provides management and financial expertise, technology and systems support to a network of subsidiary companies. The business of the Company is focused on two sectors of the economy — the oil and gas industry and the transportation and distribution of freight — areas where Mullen has developed strong business relationships and industry leadership.

Today the Mullen Transportation Group is recognized as the largest provider of specialized transportation and related services to the oil and gas industry in western Canada, as well as one of the leading suppliers of trucking and logistics services in Canada. Mullen operates a fleet of 1,250 trucks and 2,750 trailers, and has a customer base in excess of 5,000.

Corporate Structure

In the Mullen organization, each business unit is operated as a wholly-owned subsidiary, with each accountable for its own results, returns on capital employed and overall performance. The business units are grouped into two segments — Oilfield Services and Trucking — based upon the type of commodities transported, the kind of equipment utilized and the customer service requirements.

The Corporate office is comprised of a small group of individuals focused on providing our subsidiary business units with the following:

- capital
- centralized banking
- systems, training and human resource expertise
- technology
- overall business strategy

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Driven By Solid Brand Values

At Mullen we believe that shareholder wealth is created and ultimately sustained because of our commitment to a basic set of values and by following proven business principles — cornerstones of the Mullen brand.

Operational Excellence

Providing customers with a quality customer service is the key to any successful organization. Mullen strives to achieve a superior level of customer service by focusing on the goal of attaining *"excellence in everything we do"*. This is how we define quality.

Integrity

Integrity is a cornerstone of long-term success. It serves as the foundation of our value system. Simply put: "if we say it — we do it".

People Focus

People are not only important, they are the key to achieving the goal of operational excellence. By investing in their future, we create the environment where sustainable success is possible. At Mullen we believe "companies do not provide customer service — people do".

Safety

Our commitment to safety is focused on two areas — providing a safe and healthy work environment for our people and striving to be a responsible user of the public highway system.

Technology

Investing wisely in leading-edge technologies ensures that our people can be productive and our Company can maintain a cost advantage over our competitors.

Leadership

We expect the companies we invest in to be industry leaders. This is accomplished by challenging our people to enhance their leadership skills and overall abilities through continuous training.

CANADA AWARDS FOR EXCELLENCE
2002 Recipient - Quality

In 2002 one of our subsidiary business units, Mullen Trucking – Truckload, was recognized as one of Canada's best-run organizations. The National Quality Institute presented the Mullen team with the Canada Awards for Excellence at last year's annual conference held in Toronto, Ontario. Congratulations to everyone at the Truckload division for achieving such a prestigious award.

From Brand Value to Shareholder Value

In 2002, Mullen completed a series of acquisitions aimed at enhancing the Company's long-term growth prospects. What did the seven transactions have in common? They were all related to the energy sector in western Canada and each one involved an element of industry consolidation, a trend that we expect will continue.

In 2003 we anticipate that the acquisitions will add incremental gross revenues of approximately $100 million. Profitability is also expected to be accretive, with operating income increasing by $25 million and net income by $5 million to $6 million.

Today, Mullen Transportation encompasses:

- *1,250 power units*
- *2,200 employees and owner-operators*
- *14 operating subsidiaries*
- *Minority interest in two strategically positioned companies*

3 Key Strategies

Since December 1993, Mullen Transportation's shareholder value has grown by some $400 million. We have accomplished this by focusing on three key strategies, each of which contributes to the overall profitability of Mullen and the enhancement of shareholder value.

1. Acquisitions

Mullen's growth strategy is driven by our ability to acquire companies in the two segments of the economy in which we have a deep understanding and solid customer relationships — the oil and gas industry and the transportation and distribution of freight. We have developed a well-defined set of criteria, which is accompanied by a high degree of discipline, providing the acquisition strategy with the best possibility of success.

2002 Performance

Last year was extremely active in terms of acquisitions. Our view was that the valuations were reasonable and there was a potential for a rebound in the energy sector. As a result we acquired seven businesses, all based in western Canada and all leveraged to the energy services sector. Five of the businesses were direct competitors of Mullen — Kam's Oilfield Hauling, R.C. Campbell Oilfield Services, Dominion Rathole Drilling Ltd.,

1993 1994 1995 1996 1997

Growth in Investment Value

The graph on pages 2-3 compares the change in a $100 investment in Mullen, with a $100 investment in the S&P/TSX Composite Index, since December 31, 1993.

OK Rathole Drilling Ltd., and Anderson Air Drilling Ltd. The remaining two companies — Temor Oil Services (1974) Ltd. and Lloydminster Heavy Crude Services Ltd., both located in Lloydminster, Alberta, were in direct competition to each other — providing Mullen with a unique consolidation opportunity.

2. Maintain A Strong Balance Sheet

Opportunity must be accompanied by ability. For this reason we have long believed that having a strong balance sheet is fundamental to a successful acquisition strategy. This discipline provides Mullen with the flexibility to complete transactions regardless of the capital markets, a unique competitive advantage particularly during uncertain times.

2002 Performance

We entered 2002 with virtually no long-term debt, $14.3 million in cash and $40.9 million working capital. This provided Mullen with the ability to acquire the seven companies for a total net consideration of $58.2 million, which was financed through existing working capital and a $30.0 million credit facility that was secured from our existing lender. At December 31, 2002 our balance sheet remained very strong with a 0.20 debt to equity ratio and $33.2 million of working capital.

3. Focus On Costs

The success of any acquisition can only be measured over the long-term. Once we have acquired a company, our greatest challenge is to integrate the Mullen brand and to ensure that the management team understands, and is motivated, to utilize capital wisely and focus on eliminating unnecessary costs. This is accomplished through a combination of management training, technology solutions, and implementation of the Mullen profit share plan that is designed to align the interests of the shareholders with that of management and the employees.

2002 Performance

We are in the early stages of the implementation plan, and several opportunities have already been identified. Given that most of the acquisitions were consolidated into an existing Mullen wholly-owned subsidiary, we are eliminating duplicated terminal and administrative costs, and more importantly, identifying best-in-class work processes to ensure operational excellence.

$632
Mullen Transportation
$153
S&P/TSX Composite Index
600
500
400
300
200
100
1998 1999 2000 2001 2002

Financial Highlights

($ millions except per share amounts)	2002	2001	% Change
Continuing Operations			
Revenue — consolidated	$ 302.5	$ 349.6	(13.5)
Direct operating expenses	$ 224.7	$ 246.5	(8.8)
Selling and administrative expenses	$ 34.4	$ 37.8	(9.0)
Operating income	$ 43.4	$ 65.3	(33.5)
Income from continuing operations	$ 18.6	$ 30.5	(39.0)
Earnings per share from continuing operations	$ 1.27	$ 2.13	(40.4)
Net income — discontinued operations	$ –	$ 0.20	–
Net income	$ 18.6	$ 30.7	(39.4)
Funds from operations	$ 32.2	$ 45.4	(29.1)
Funds from operations per share	$ 2.20	$ 3.17	(30.6)

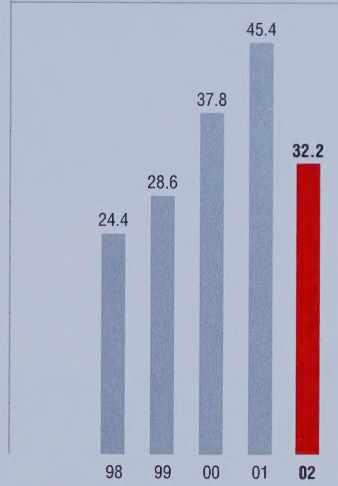
"2002 results were negatively affected by the combination of ***two factors: reduced capital spending and decreased drilling*** *by the energy industry in western Canada ... and a competitive trucking industry which continues to struggle as a result of the* ***slow growth economy****."*

Revenues in 2002 declined by 13.5%. Nevertheless, last year was still one of our best.

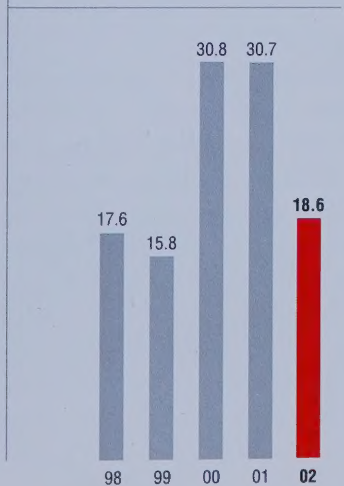
Consolidated Revenue *($ millions)* *(Continuing Operations)*

2002 funds from operations were 29.1% lower and equated to $2.20 per share for the year.

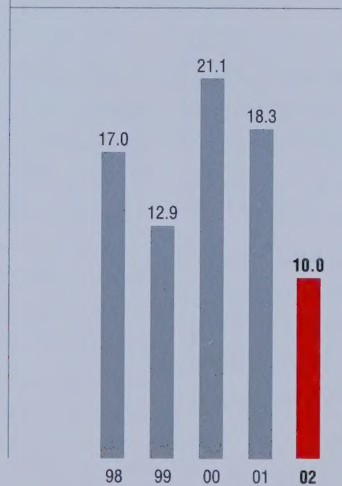
Funds From Operations *($ millions)*



Net Income *($ millions)*



Return on Equity *(%)*



Net income in 2002 was higher than during the cyclical downturn of 1998-1999.

Return on equity fell to 10% in 2002 as net income declined and shareholders' equity increased.

Letter to Employees and Shareholders

"I am a true believer that for one to know where they are going, one must first know how they got to where they are."

Murray K. Mullen,
Chairman, President and
Chief Executive Officer

Building the Brand

'49	'55	'59	'63	'72	'79
• Roland Mullen bought first truck, a '49 Chev Maple Leaf.	• Owned three trucks and earned first contract with Atlantic Lumber Company.	• Working near Grande Prairie moving cats. Other trucks were hauling cement, the economy was starting to turn.	• Economy turned around and there was lots of work in Alberta. Leona and Roland moved to High Prairie.	• Worked at Revelstoke Lumber Company hauling lumber from Radium to Alberta, a contract which lasted 14 years.	• Obtained operating authority across US/Canada border. Fleet size up to 40 trucks.

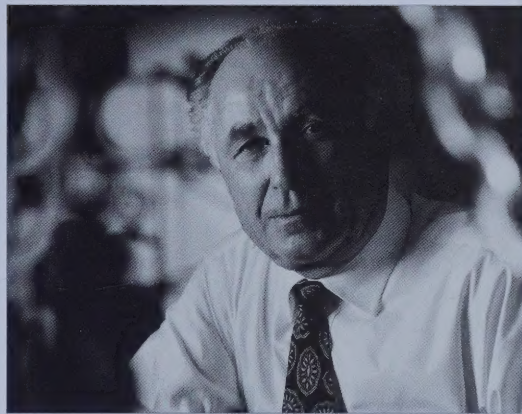
Tribute

As I contemplate the future for Mullen Transportation, I often remind myself of where we came from and how we got to where we are today. This simple philosophy acts as my lighthouse as I help navigate our Company through another round of unchartered waters.

There are obvious challenges that we must overcome for Mullen Transportation to build on the successes of the past. I am confident, however, that we will prevail thanks in a large measure to the abilities and the can-do attitude of our people. But I am most confident because I know how we got to where we are — Roland Mullen. Roland, the founder and patriarch of Mullen Transportation, not only started this business over 54 years ago, he endured the challenges that every successful entrepreneur must overcome. But he did more — much more. Roland laid the framework which enabled many of us to build a world-class company. Whether you call it the Mullen style, or our brand values, there is no denying that our success today, and the foundation for our future, reflects Roland's vision, his passion for excellence, and his integrity as an individual.

"I have so many people to thank I do not even know where to start. Since I would inevitably forget to mention someone, let me simply say to everyone — thank you for everything. For 54 years I have lived a dream, starting with nothing and leaving today a company that provides employment to thousands of people and which is recognized as one of the top firms in Canada. I couldn't be happier, because as I say goodbye, I know that you will continue the tradition. There is much that remains to be done, but I know you are all up to the challenge."

Continued success,
Roland O. Mullen
Founder



Roland Mullen

'80
• Relocated to Aldersyde and ran office out of a modified mobile home. Began to computerize operations.

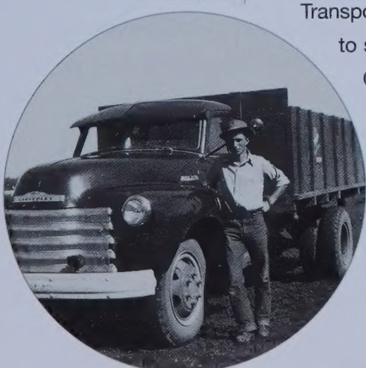
'83
• Established Oilfield Division. Business in United States became stronger.

'87
• Oilfield and Trucking Divisions expand to 250 trucks.

'89
• Purchased FSJ L.A.N.D. Transport Ltd. Moved Oilfield Division to Leduc.

'90
• Moved to new, expanded facilities in Aldersyde. Implementation of the Quality Program.

'93
• Went public, raised $9.3 million. 700 Units. Employee Profit Share Program started.



Roland Mullen standing beside his new '49 Chev, at 18 years of age.

At this year's Annual Shareholders' Meeting, Roland Mullen will be retiring from Mullen Transportation. While I am sad to see my father leave the Company that was such a large part of his life, I know that he has found other enjoyments. He leaves at the top of his game, in good health and with the Company he founded in excellent shape. For these reasons I am delighted for both him and his life-long partner, Leona, who laboured beside him for so many years and was an integral part of the business at a vital time and period they both refer to as the "lean years".

On behalf of my brothers and myself — as well as the hundreds of lives that Roland impacted so positively — I say thank you for your immeasurable contribution and enjoy your retirement. You have taught us all well.

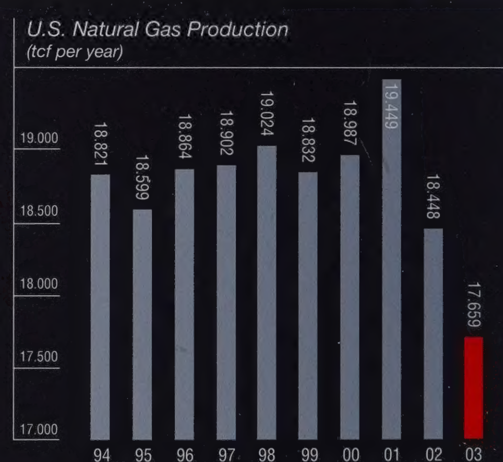
One of the main responsibilities entrusted to the CEO of any organization is that of putting together a plan that will provide the organization, its employees and shareholders alike, with the best opportunity for success, both present and future. This does not mean that one thinks they can predict the future, because that would be foolish. It does require, however, an analysis of the available information accompanied by a thoughtful understanding of the potential opportunities and risks.

Economic Restructuring Creates Opportunity

Is the United States' economy, and by association the Canadian economy, on the cusp of an economic resurgence? If this is the case, surely those companies that have survived the turmoil of the last three years will be beneficiaries, and will most likely see revenue growth and rising profits once again. Or, are we in a period of slow growth, at its very best.

2002: Positioned For Acquisitions

Mullen entered 2002 with the financial capacity to complete several acquisitions and an unwavering belief that North America's energy needs will require significant investment. The decline in oil and gas drilling activity in 2002 provided Mullen with the opportunity to acquire seven competing and complementary businesses.



In this annual report I will do my best to summarize the issues that I consider most relevant to our stakeholders and to provide some insight as to how Mullen Transportation will prepare for the future. But let's be honest. These are trying, even downright confusing times. We are continuously deluged with so much information that the task of determining what is relevant becomes daunting at the very minimum. Such is the reality of living in the age of information.

One could argue that many of today's companies and CEOs simply are not prepared for the latter type of economic environment, which can generally be characterized as very competitive, extremely difficult to raise capital and challenging. Within this backdrop I ask myself: "Does Mullen Transportation need an expansionary economy to continue growing?" The simplest and most obvious answer is, "yes". However, the reality is that the economy is already quite substantive and exponentially larger in terms of gross domestic

output than 10 years and five years ago. It is even larger today than last year. Given this reality, should we need the economy to grow in order to succeed?

I would argue that in the short term the answer need not be in the affirmative. In fact, it is my opinion that economies, or companies, on occasion need to regroup, to stabilize and to restructure. This is a natural part of evolution and, if viewed from a longer-term perspective, is very healthy. It provides opportunity for those who are efficient users of capital and resources, both physical and intellectual, to gain market share. Our understanding of this basic concept is one of the keys to our overall business strategy.

As for the world's largest economy, the United States, there is ample evidence that it is in a restructuring phase, of a length that has yet to be determined. As such, this is a time of either opportunity or great risk, depending on how you or your company are positioned. Once the restructuring is complete the economy should recover to a more normal growth cycle that provides plenty of opportunity once again. At Mullen Transportation we will carefully monitor the health of the overall economy and of the sectors of the economy we serve — the oil and gas service industry and the freight transportation sector — to determine which sector provides our shareholders with the best opportunity for growth, short-term and for the long-run.

Energy and the Economy

Given all of the uncertainty surrounding the overall economy, we believe that the best opportunity for success, and the one with the least risk profile, is found in those segments of the economy which are leveraged to the energy industry.

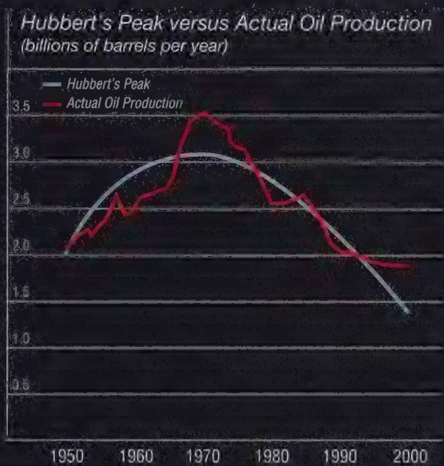
Our reasoning is simple. Regardless of whether the economy grows or not, the fact remains that the United States, a $10 trillion a year economy, requires a lot of energy.

And today more than ever the United States is dependent on foreign supplies of both oil and natural gas. This situation is expected to continue for some

The two graphs indicate that the United States has most likely reached maximum production in both its natural gas and oil fields.

Source: United States Department of Energy

In 1956, Shell geophysicist M. King Hubbert predicted oil production in the United States would peak in the early 1970s. He was right and the results are shown on the graph right.



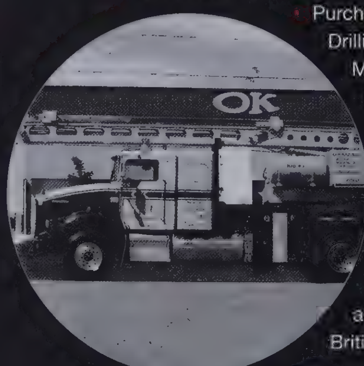
time given the long lead times required to bring new energy sources to market, accompanied by the overwhelming evidence that production from existing reserves continues to decline, particularly for natural gas. The situation has now reached the point where many critics are openly questioning if the United States is nearing a full-blown energy crisis. Crude oil inventories are at multi-year lows and natural gas storage levels are expected to exit this withdrawal season near all-time lows, a combination the United States economy has never experienced.

Seven Energy Service Companies Acquired in 2002

At Mullen we have long believed that achieving sustainable growth requires our whole-hearted commitment to operational excellence throughout the organization. This is important for two reasons. First, if we are to produce outstanding results each business unit of the Mullen organization must also produce outstanding results. This fundamental concept is key to our success. Second, if our future growth is dependent upon our

Acquisitions Target Competitors

Acquisitions targeted competitors in drilling services, heavy oil hauling and rig moving. During 2002, Mullen acquired seven companies in the energy services sector that will enable us to greatly expand our service offerings to the energy sector.



Drilling Services

Post acquisition, Mullen has 70% of western Canada conductor setting market.

- Purchased Dominion Rathole Drilling Ltd. and OK Rathole Drilling Ltd. which are being amalgamated with McGuiness Rat Hole Drilling Co. Ltd. under the OK Drilling Services Inc. business unit.
- This business unit has three dual-rotary rigs and 22 auger drill rigs – the largest and the most modern fleet in the industry.
- Terminals located at Red Deer, Whitecourt and Grande Prairie, Alta., and Fort St. John, B.C.
- Separate Anderson Air Drilling Ltd. acquisition adds surface casing and water well drilling in northern British Columbia.

While the exact economic impact of higher energy costs is difficult to predict, there is little debate that the economy is expected to slow, at least in the short term. This slowdown should reduce the overall demand for energy, but given the current supply issues we expect the oil and gas industry to invest aggressively for an extended period of time. It is for these reasons that Mullen Transportation has adopted a business strategy that is focused on providing a wide range of services to the energy sector in western Canada.

ability to pursue acquisitions, we must have a well-defined road map that guides our integration initiatives.

This road map, which we refer to as "On The Road To Quality", was put to the ultimate test in 2002. Mullen Trucking – Truckload, under the leadership and guidance of David Mullen, applied for the Canada Awards for Excellence, a national award presented by the National Quality Institute to private or pubic sector organizations that have met the standards and achieved outstanding performance in the area of quality. In September, David's business unit was recognized as

one of Canada's best-run organizations by the National Quality Institute, an award that confirmed our "On The Road To Quality" program as best-in-class. I know first-hand of the commitment and hard work that went into this journey by David and his team. I extend my congratulations to everyone in Mullen Trucking – Truckload. You have set a high standard for our other subsidiaries to strive for.

The most important aspect of receiving such recognition is not so much the award itself, but knowing

Heavy Oil Hauling

Acquisitions position Mullen as the single largest bulk transporter of crude oil and produced water in the Lloydminster heavy oil region.

- Acquired two major competitors in heavy crude oil and produced water hauling market: Lloydminster Heavy Crude Services Ltd. and Temor Oil Services (1974) Ltd., which now operates as Heavy Crude Hauling Partnership.
- Third acquisition of the R.C. Campbell Oilfield Services assets increased the fleet to 19 flush-by units.

Rig Moving

Acquisitions position Mullen as one of largest rig movers in northeastern Alberta, the heavy oil capital of Canada.

- Mullen Trucking – Oilfield Services acquired Kam's Oilfield Hauling of Lloydminster.
- Acquisition adds 40 specialized oilfield power units, over 100 trailers and other equipment.

that we have a world-class road map. With this validation, Mullen Transportation embarked on the most aggressive growth initiative in its history, acquiring seven businesses. The strategy associated with these transactions has been outlined in previous messages to our shareholders and may be redundant to some readers; however, I feel it is important to reiterate given the overall impact that it will have on our Company.

Last year you may recall that I stated: "We have the ability to expand when the right opportunities become available". Little did I realize the extent of the opportunities. Clearly the challenges in the marketplace were even more acute than I had predicted, not the least of which was the slowdown in drilling activity and capital investment by the oil and gas industry in western Canada. These businesses were either cash restrained or the owners had come under intense pressure, even to the point of disillusionment. Mullen Transportation was positioned to capitalize on the opportunity, as we had entered 2002 with a strong working capital surplus and virtually no debt, an essential component in our view.

Positioning, opportunity, and a strong balance sheet were only part of the reason for being so aggressive last year. More important was our view of the future. For several years we have held to the belief that North America is in the midst of an energy crisis, driven by the relentless consumption within the United States. While others around us were focused on the moment — the low commodity prices, reduced activity levels and a very competitive business environment, a combination which obviously led them to consider that the future was risky — we looked further ahead and saw 2002 as

a year of opportunity. In other words, we viewed the glass as half-full, while others perceived it to be half-empty. It was, in our opinion, a unique time. All we had to do was believe in the future.

It is also clear that many of our shareholders shared our vision of the future. We believe this explains why our stock price held fairly steady throughout 2002 and closed the year at $30.00, an increase of 20.2 percent from year-end 2001, while our financial performance was down significantly year-over-year, a decline primarily due to a slowdown in our Oilfield Services segment. Oil and gas companies struggled through a period of low commodity prices, most notably for natural gas. The length of the decline was relatively brief, lasting only about nine months, nevertheless, the reduction in overall cash flow was just enough to slow capital investment and curtail drilling programs. Other factors, such as the uncertainty surrounding the health of the economy and the potential for a corresponding decline in energy demand, along with a skittish capital market, caused exploration and producing companies to delay many drilling projects. An unintended result, but quite predictable, was that natural gas supplies in both Canada and the United States declined from a year ago. While this decline will form the foundation for a turnaround in our fortunes in 2003, it did little to help our business units last year.

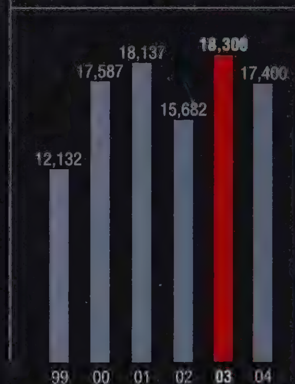
In 2002, our results were relatively in line with our prediction that the year would present a number of challenges. Past experience has taught us that as activity levels decline, equipment utilization rates fall, which leads to an erosion in pricing power. That was the bad news for 2002. The good news was that we were well prepared for the downturn and turned in a respectable $18.6 million profit for our shareholders, representing a return on equity of 10 percent. Although this is well below our five-year average, it is certainly above our cost of capital. As investment in the energy sector recovers, we expect to generate higher profits and significantly higher returns.

Mullen Transportation: Focused on energy services in a strong price environment.

After finalizing seven acquisitions, Mullen is positioned to take advantage of an anticipated very strong drilling season.

Commodity prices, particularly for natural gas, are expected to remain strong over the next two to three years. Drilling activity in early 2003 is at record levels. As a result of this strong activity, the Energy sector is expected to generate very strong cash flows which will be re-invested in future exploration and development activity.

Wells Drilled – Western Canada
Actual/Forecast (number of wells drilled)



Source: Canadian Association of Petroleum Producers and FirstEnergy Capital Corp.

2003 and Beyond

Having repositioned Mullen Transportation into an energy services company — with specific focus on drilling services, fluid hauling, rig moving and specialized hauling — our business has taken on a more cyclical component. This, as I have explained, was reflected in our results last year. But as we enter 2003 our future looks bright. Drilling activity in western Canada has already rebounded to near-record volumes, which I believe will drive both revenues and profits to the levels generated in 2000 and 2001. You may recall that during that timeframe drilling activity was about 18,000 wells per year — levels that provided our subsidiary companies with high utilization rates and pricing leverage. Given that our business units are prepared for an active year, I am confident that 2003 will be very successful. In addition, it appears that our acquisitions were quite timely. I expect that the earnings power of these new companies will be accretive and will ultimately drive our profits to new levels.

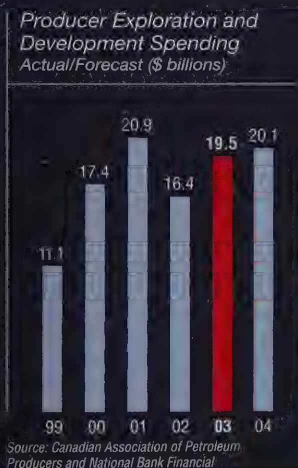
Our single biggest challenge will be integrating the acquisitions into our organization. The more successful we are at rationalizing these businesses and incorporating the Mullen brand into their culture, the better our results should be. There is considerable work ahead of us and it will be some time before our shareholders see the maximum benefit of last year's acquisitions.

In terms of new acquisitions, I expect we will continue to see opportunities in the foreseeable future. Some will make inherent sense, especially if they lead to further consolidation in their niche markets. For the most part, however, I plan to be very discerning in 2003 and intend to focus on integrating the new businesses into the Mullen culture. Of course, I would not be one to turn down a great opportunity — which is the last key to our overall business strategy.

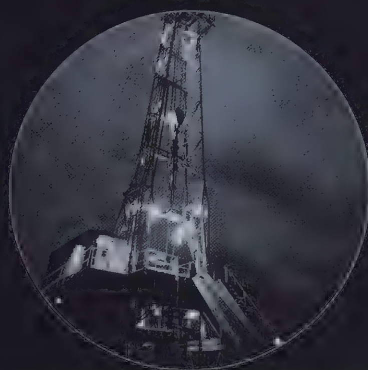
On behalf of your Board of Directors,

Murray K. Mullen
Chairman, President and Chief Executive Officer

March 10, 2003



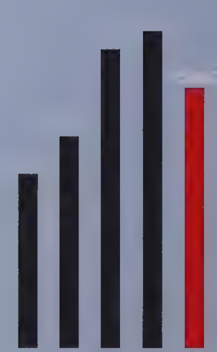
Oil and gas producers in western Canada are expected to benefit from rising natural gas prices and strong oil pricing. As a result their cash flows will rise which should translate into increased drilling activity and capital spending.

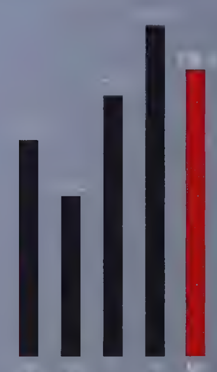


Oilfield Services

[illegible] 2002 proved [illegible] The Canadian oil and gas [illegible] flows in the [illegible] result of significantly [illegible] es in the first half of the year.

2002 proved to be one of the better years on record in terms of oil and gas drilling activity with 15,682 wells drilled in western Canada (see graph). Although the volume was only 13.5 percent lower than the previous year, the decline had a larger than expected impact on our business units because the industry was focused on drilling shallow gas and heavy oil wells, which are less expensive to drill and service. Furthermore, competition was more intense due to the amount of capacity added in prior years to meet demand. This led to lower equipment utilization rates and pricing pressures in 2002, a combination that negatively affects both revenues and operating margins.





This ultimately translated into reduced capital expenditures estimated to be in the neighbourhood of $5 billion, which led to a reduction in capital investment and drilling activity, two of the principal factors that influence Mullen's Oilfield Services business units. However, unlike the previous year, year-end exit prices for both crude oil and natural gas were very strong, which one would expect should lead to a sharp rebound in 2003.

Drilling Activity

- *FSJ L.A.N.D. Transport Ltd.*
- *Mullen Trucking Inc. – Oilfield Services*
- *McGinnis Rat Hole Drilling Co. Ltd.*
- *Anderson Air Drilling Ltd. — NEW*
- *OK Drilling Services Inc. — NEW*

This slowdown also had a positive impact. In the rig moving business, Mullen Trucking – Oilfield Services acquired the assets of Kam's Oilfield Hauling of Lloydminster, Alberta. This acquisition added over 37 trucks and 95 trailers to our fleet and strengthened our position in northeastern Alberta, the heavy oil capital of Canada.

In the drilling services business, we leveraged our investment in McGinnis Rat Hole Drilling Co. Ltd. through the acquisition of two competitors — Dominion Rathole Drilling and OK Rathole Drilling Ltd. These businesses were amalgamated into a single entity effective January 1, 2003 and will be operated as OK Drilling Services Inc. We estimate that our present market share of the conductor-setting industry is approximately 70 percent. In terms of setting surface casing, our dual-rotary rigs continue to gain industry acceptance. These units are specifically designed to drill into hard rock and gravel formations.

Capital Projects / Pipeline Construction

- *Premay Equipment Ltd.*
- *Premay Pipeline Hauling Ltd.*

Infrastructure and capital investment was down in 2002, which had a negative impact on our business units on a year-over-year comparative basis. There were several factors influencing activity levels, including the debate over the Kyoto Accord. Nevertheless, our view is that once clarity is brought to this issue, the energy industry will continue to invest in the planned projects. The Canadian oil sands contain one of the largest known reserves of oil in the world. Premay is well positioned to capitalize on the investments required to turn these vast reserves into useable energy sources. In terms of pipeline expansion, we are encouraged by recent announcements concerning the Mackenzie Valley Pipeline Project.

Mackenzie Delta Region

- *Beaufort Oilfield Support Services Ltd. (minority interest)*
- *MTI Delta Energy Services*
- *Mullen Trucking Inc. – Oilfield Services*

One of Canada's last remaining frontiers is estimated to contain significant natural gas reserves. In 2001, we made a significant investment in this region; however, the steep declines in natural gas prices forced many gas producing companies to curtail their investments in the region. This had a negative impact on our base camp facility, in which Mullen has a 49 percent interest. Drilling activity virtually stopped in the spring of 2002.

As we enter 2003 there are encouraging signs that investment may return quickly. The Mackenzie Valley Pipeline project continues to generate headlines and we are hopeful, as are many others, that the project study will be favourable. Drilling activity is expected to return, once a decision on the pipeline is made.

Heavy Oil

- *E-Can Oilfield Services Partnership*
- *Heavy Crude Hauling Partnership — NEW*
- *Lloydminster Heavy Crude Services Ltd. — NEW*

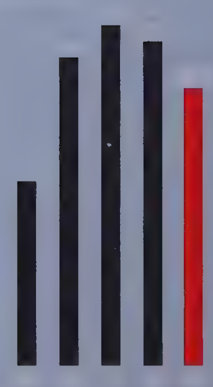
Crude oil prices remained high for most of 2002, which should have translated into a very active year for our E-Can business unit. In reality, however, drilling activity was not particularly strong, which we attribute to acquisitions within the heavy oil industry. Two of our largest customers, Canadian Natural Resources Limited and Anadarko Canada Corporation, were involved in this industry consolidation resulting in a reduction in drilling activity during the integration phase. This had a significant impact on E-Can's activity.

In spite of the slowdown we undertook a number of initiatives to enhance our market position and competitiveness. At E-Can we expanded the fleet by nearly 20 percent, investing in 32 new tri-axle power units. In addition, the assets of R.C. Campbell Oilfield Services, a competitor, were acquired, expanding E-Can's fleet of flush-by units to an industry leading 19 units. In the fourth quarter, Mullen acquired the assets and businesses of two of the largest transporters of heavy crude oil and produced water in the Lloydminster area. Temor Oil Services (1974) Ltd., now operated as Heavy Crude Services Partnership, managed a fleet of over 150 bulk crude oil trailers, while Lloydminster Heavy Crude Services Ltd. operated a similar, but smaller fleet of 50 trailers. Our investment in this segment of the heavy oil services industry positions Mullen as the single largest bulk transporter of crude oil and produced water in the region.

Trucking Services

[illegible] growth in the North American economy [illegible] to be over-capacity in the [illegible] pricing. Since [illegible] tation has limited its exposure [illegible] the economy.

We believe that the trucking industry will eventually face a major shakedown. We are less sure of the timing, but the reality is that it must eventually happen because the industry is not generating sufficient profits to meet its cost of capital.



Number of Units Operated
(Company and Owner-Operator)

Our position has been, and continues to be, that without improvement in pricing levels there is no compelling reason to invest further capital in this segment of our business.

Each business unit in the Trucking segment continues to focus on controlling costs, but even this is proving difficult today. Real costs continue to rise including fuel, insurance, equipment and labour. As a result, margins continue to be under pressure.

Western Canada

- *Mullen Trucking Inc. – Truckload*
- *Cascade Carriers Ltd.*
- *Grimshaw Trucking Ltd.*

2002 was neither a stellar year, nor a bad year. The demand for trucking services declined marginally due to the reduced spending by the energy industry; however, this was partially offset by growth in other sectors such as construction and homebuilding.

Mullen Trucking Inc. – Truckload started the year by completing a major contract for Diavik Diamond Mines Inc., which required almost 1,100 loads sourced from across North America to be transported from Yellowknife along an ice road in the Northwest Territories to the mine site. The contract, which involved transporting goods over 424 kilometres across frozen tundra and ice roads, needed to be completed within 60 days. Few companies have the capacity and capabilities of Mullen Trucking.

In November 2002, Syncrude UE-1 Project awarded a significant part of a transportation contract to Mullen. The project is expected to take two years to complete and will require thousands of truckloads. Once again, Mullen's project management expertise, technology and shipment tracking capabilities were recognized. In fact, the Syncrude project is so large that both Grimshaw Trucking Ltd. and Cascade Carriers Ltd. will also benefit.

Cascade Carriers Ltd. continued to benefit from the strong demand for cement and cement products associated with the construction and building industry. With western Canada's largest fleet of pneumatic-type bulk trailers, Cascade has positioned itself as the primary carrier for Lafarge Canada Inc. and increasingly provides a wide range of services to the oil and gas industry, including the transportation of cement, sand and other bulk products.

Grimshaw Trucking Ltd. is a major supplier of less-than-truckload freight shipments in western Canada. Freight demand was marginally softer in 2002, however the quality initiatives and focus on cost reductions undertaken by the group helped Grimshaw generate one of their best ever results in terms of financial performance.

Eastern Canada

- *Mill Creek Equipment Limited*
  Cambridge, Ontario

The demand for trucking services in eastern Canada was very weak in the first half of 2002. By the fourth quarter, however, business activity was steady and occasionally quite strong. As the economy improved, Mill Creek Equipment was able to achieve higher equipment utilization rates and some modest pricing increases.

Mill Creek Equipment has experienced a difficult operating environment for over a year, primarily as a result of the cutbacks in segments of the economy served by its customer base — technology, telecom and office furniture manufacturing.

Nevertheless, we are optimistic that the restructuring of the business is near completion and we believe new growth opportunities will be available as the economy recovers and competitors succumb to the challenges of high fuel costs and soaring insurance premiums.

United States

- *Mill Creek Motor Freight Inc.*
  Holland, Michigan

The U.S. trucking market, and in particular the central Michigan area, can only be characterized as competitive and difficult. Mill Creek Motor Freight's primary customer base — the office furniture manufacturers — has seen volumes drop by half, severely impacting the business unit's ability to be profitable. In 2002, this business unit underperformed, in spite of management's efforts to restructure and control costs. The U.S. market continues to be a difficult operating environment and we will be monitoring the market closely in 2003.

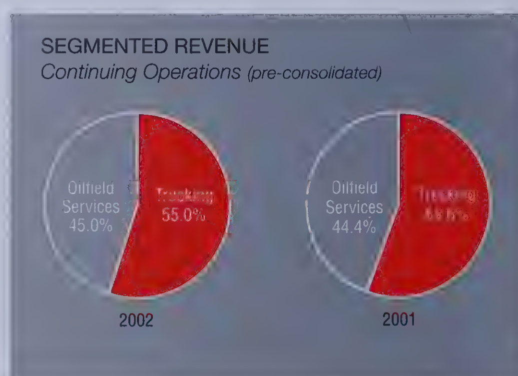
Management's
Discussion & Analysis

nanagement's discussion and analysis for 2002 ... n conjunction with the operations review ... statements included in this report.

Mullen Transportation Inc. is a unique company because it does more than just transport goods. It is both a transportation company and an oilfield services company. We operate the business as two segments, Oilfield Services and Trucking, with each segment supplying different services with various types of equipment. This diversification strategy, reflecting different segments and diversity within each segment, enables the Company to remain profitable in periods of economic weakness and to provide superior returns during more robust times. The strong balance sheet at December 31, 2001 enabled the Company to take advantage of acquisition opportunities in a slow year. As a result, Mullen completed seven acquisitions in 2002, all in the Oilfield Services segment.

In our 2001 annual report, we stated that business in 2002 would reflect a slower economy and a decline in oil and gas drilling activity. This did happen, although the rebound we expected in the second half of 2002 did not. Our Trucking segment struggled through the year and the Oilfield Services segment only started to pick up in December, despite high oil and gas prices in the second half of the year, which normally would have created more demand for the type of services provided by that segment. We did benefit from having operations in northern Canada, although that also slowed substantially in the second half of the year as exploration companies reduced expenditures in that region.

Revenues in the Oilfield Services segment increased marginally to 45.0 percent of pre-consolidated revenue (revenue prior to intersegment eliminations) due to the effect of the acquisitions. The first acquisition was completed in the second quarter of the year; the second acquisition in the third quarter; and the remaining five acquisitions in the fourth quarter. Due to the reduction in oil and gas drilling activity, revenue declined year-over-year by 12.6 percent. The decline would have been higher if the acquisitions had not been completed.



The Trucking segment generated 55.0 percent of pre-consolidated revenue. Revenue in this segment fell by 14.5 percent, primarily due to the Mill Creek operations in eastern Canada and the United States, which derives a significant amount of business from the technology, telecom and office furniture industries. These industry groups have seen demand for their products decline, resulting in fewer shipments.

Financial Highlights

Continuing Operations

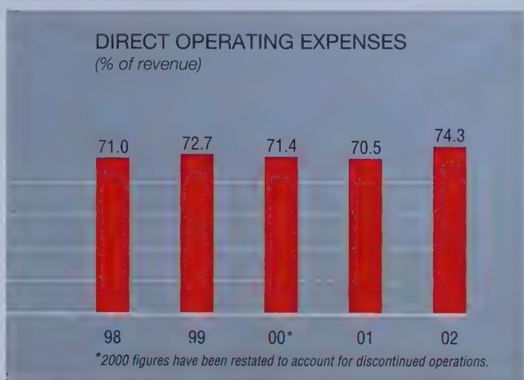
($ millions except per share amounts)	2002	2001	% Change
Revenue	$ **302.5**	$ 349.6	(13.5)
Direct operating expenses	$ **224.7**	$ 246.5	(8.8)
Selling and administrative expenses	$ **34.4**	$ 37.8	(9.0)
Operating income	$ **43.4**	$ 65.3	(33.5)
Net income	$ **18.6**	$ 30.5	(39.0)
Earnings per share	$ **1.27**	$ 2.13	(40.4)
Funds from operations	$ **32.2**	$ 45.4	(29.1)
Funds from operations per share	$ **2.20**	$ 3.17	(30.6)
Working capital	$ **33.2**	$ 40.9	(18.8)
Debt to equity	**0.20:1**	0.01:1	

Consolidated Revenue *(Continuing Operations)*

Consolidated revenue decreased by 13.5 percent to $302.5 million in 2002 from $349.6 million in 2001. The $47.1 million decrease was due to lower revenue in both the Oilfield Services and Trucking segments. Oilfield revenues were $19.7 million or 12.6 percent lower in spite of seven acquisitions during the year; Trucking segment revenue was $28.3 million or 14.5 percent lower, primarily due to the Mill Creek operations which had a $17.9 million decline in revenue. The Oilfield Services segment contributed 45.0 percent of pre-consolidated segmented revenue, a marginal change from 2001 when it contributed 44.4 percent of the revenue.

Direct Operating Expenses *(Continuing Operations)*

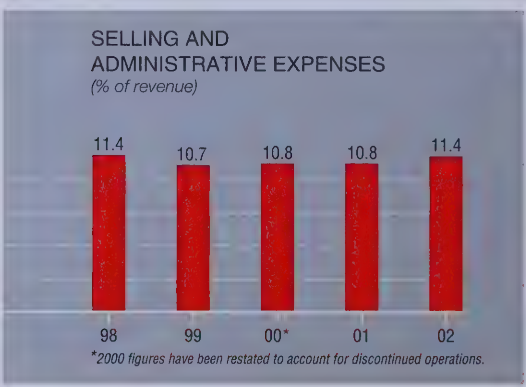
Direct operating costs consist of the cost of subcontractors, owner operators, and direct operating costs for Company owned or leased vehicles and trailers. These costs declined by 8.8 percent to $224.7 million in 2002 from $246.5 million in 2001. The costs were 74.3 percent of revenue versus 70.5 percent in 2001, reflecting the effect of lower revenues, rates and the reduction in equipment utilization in both segments. The gross margin declined to 25.7 percent from 29.5 percent of revenue.



Selling and Administrative Expenses

Selling and administrative expenses declined from $37.8 million in 2001 to $34.4 million in 2002. The decrease of $3.4 million is attributed to a reduction of $5.6 million in the employee profit share, which is based upon the Company's return on invested capital. In 2002 the decline in the Company's profitability led to a decline in the profit share pool. This decline was largely offset by increased selling and administrative expenses associated with the new acquisitions.

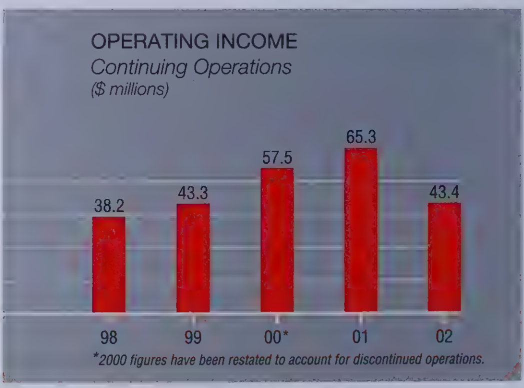
Expressed as a percentage of revenues, selling and administrative expenses increased to 11.4 percent in 2002 from 10.8 percent in 2001, primarily due to the declines in overall revenues and the fixed component of most selling and administrative expenses.



*2000 figures have been restated to account for discontinued operations.

Operating Income (Continuing Operations)

Operating income, which is defined as net income before interest, income taxes, depreciation, amortization, earnings from equity investments, and gain on the sale of fixed assets, decreased by $21.9 million or 33.5 percent to $43.4 million in 2002 from $65.3 million in 2001. The decrease was due to the effect of lower revenue and declining profit margins in both segments. The Oilfield Services segment decreased by $13.9 million while the Trucking segment was $7.8 million lower. The Other category decreased by $0.2 million. Operating income decreased to 14.3 percent of revenue in 2002, compared to 18.7 percent in 2001.



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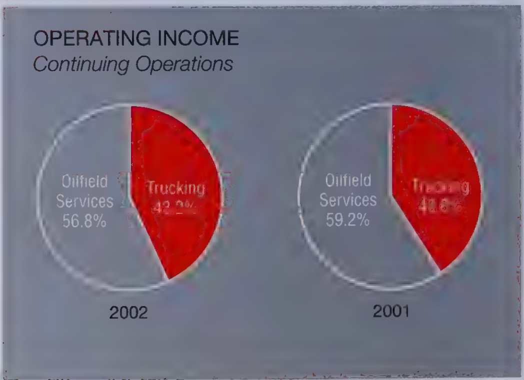
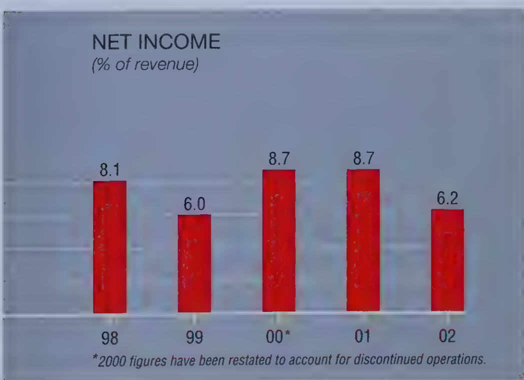


Net Income (Continuing Operations)

Net income decreased by 42.9 percent to $18.6 million in 2002 from $32.6 million in 2001 (before amortization of goodwill). The decrease was due to lower operating income, offset partly by an increase in earnings from equity investments. The Company also benefited from adjustments to future income taxes due to a one-half percent decrease in the Alberta Corporate rate on April 1, 2002, and a two percent lower federal current tax rate in 2002.

($000s)	2002	2001
Net income before amortization of goodwill	$ 18,647	$ 32,550
Future income tax adjustments	247	1,159
Net income before future income tax adjustment	$ 18,400	$ 31,391

Earnings per share were $1.27 in 2002 versus $2.13 in 2001. In 2002 the future income tax rate changes contributed $0.02 per share versus $0.08 per share in 2001.



*2000 figures have been restated to account for discontinued operations.

Oilfield Services Segment

Business in existence, January 1, 2002

E-Can Oilfield Services Partnership
FSJ L.A.N.D. Transport Ltd.
McGinnis Rat Hole Drilling Co. Ltd.
MTI Delta Energy Services
Mullen Trucking Inc. – Oilfield Services
Premay Equipment Ltd.
Premay Pipeline Hauling Ltd.

Acquisitions in 2002

Anderson Air Drilling Ltd.
Dominion Rathole Drilling Ltd. (assets)
Kam's Oilfield Hauling (assets)
Lloydminster Heavy Crude Services Ltd.
OK Rathole Drilling Ltd.
R.C. Campbell Oilfield Services (assets)
Temor Oilfield Services (1974) Ltd. (assets)
(Now Heavy Crude Hauling Partnership)

In the outlook section of the 2001 annual report, we stated that the lower oil and gas prices in 2001 would negatively affect the Oilfield Services segment in the first half of 2002 as oil and gas drilling activity declined. This did happen; however, the slowdown continued until late in the year, with activity only increasing during December. We also stated that 2002 would be a period of opportunity. This was certainly true, which led to the acquisition of seven oilfield services businesses, including: R.C. Campbell in May; Dominion Rathole Drilling Ltd. in September; Kam's Oilfield Hauling and Lloydminster Heavy Crude Services Ltd. in October; Temor Oilfield Services (1974) Ltd. and Anderson Air Drilling Ltd. in November; and OK Rathole Drilling Ltd. in December.

E-Can Oilfield Services purchased the assets of R.C. Campbell, which expanded its capacity to pump, haul and dispose of fluids associated with the processing and production of heavy oil. McGinnis Rat Hole Drilling Co. Ltd. purchased the assets of Dominion Rathole and expanded its capacity to set conductor pipe and surface casing on wells in western Canada. The acquisition by Mullen Transportation of Anderson Air Drilling Ltd. and OK Rathole Drilling Ltd. also expanded this business, and provided additional terminals in

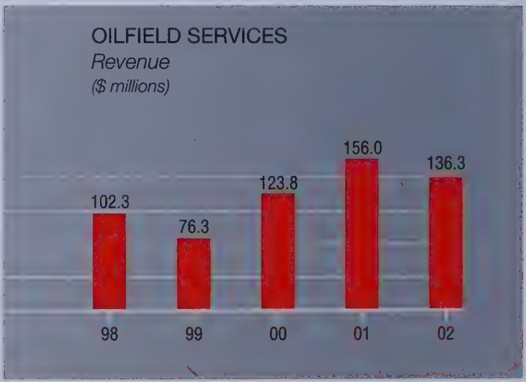
Grande Prairie, Whitecourt and Red Deer, Alberta, and in Fort St. John, British Columbia. The acquisition of Temor Oilfield Services (1974) Ltd. and Lloydminster Heavy Crude Services Ltd., both located in Lloydminster, Alberta, added terminals in Elk Point, Alberta, and Maidstone and Macklin, Saskatchewan. These acquisitions have given Mullen a new oilfield service business related to hauling of heavy oil from wells to batteries or refineries in the Lloydminster region. Although this business has lower margins, it is year-round with only minor seasonal variances. Kam's Oilfield Hauling, located in Lloydminster, Alberta, was acquired by Mullen Trucking Inc. – Oilfield Services and now operates as a branch of that company. This business involves well site services to oil and gas companies in the heavy oil region.

FSJ L.A.N.D. Transport Ltd., Mullen Trucking Inc. – Oilfield Services and MTI Delta Energy Services are in the business of oilfield trucking and drilling rig relocation, which includes the dismantling, hauling and rigging up of drilling rigs in western and northern Canada. Premay Equipment transports oversized modules, vessels, and equipment for clients in engineering, construction, mining and oil and gas related industries. Premay Equipment has terminals in Edmonton, Calgary and Fort McMurray, Alberta, and in Regina, Saskatchewan. Premay Pipeline hauls, stockpiles and strings large diameter pipe to the oil and gas industry in Canada.

All the businesses work in competitive environments with competitors ranging from smaller local businesses to international companies.

Revenue

Despite seven acquisitions in this segment, revenue decreased by $19.7 million or 12.6 percent to $136.3 million in 2002 from $156.0 million in 2001. The decline in revenues in this segment would have been approximately $17.0 million higher without the acquisitions. Rig moving declined by 24.8 percent, reflecting the lower drilling activity (15,682 wells drilled in 2002 versus 18,137 in 2001). McGinnis Rat Hole revenue also declined as its revenue is directly related to drilling activity.



E-Can revenue also declined in spite of adding capacity during the year from the R.C. Campbell acquisition and other capital expenditures, as there was lack of refining capacity early in the year and lower drilling activity. Premay Equipment, which has many small competitors and one major competitor, also experienced lower revenues in 2002 as some major projects were slowed or delayed.

The acquisition of Temor Oilfield Services (1974) Ltd. and Lloydminster Heavy Crude Services Ltd. added a new type of business, primarily related to hauling of heavy oil from wells to batteries or refineries. This business is dependent on continuous heavy oil production centered around Lloydminster, Alberta. There are many competitors in this business, although most are smaller companies.

Operating Expenses

Operating expenses, which include direct operating expenses and selling and administrative expenses, decreased by $5.9 million to $111.6 million in 2002 from $117.5 million in 2001. The decrease was directly related to lower variable costs, including the segment's profit share plan which declined by $3.9 million in 2002 as margins and return on invested capital declined.

Direct Operating Expenses

Direct operating costs, which include costs for subcontractors and owner operators, as well as operating costs for company owned or leased equipment, were $97.2 million versus $99.8 million in 2001. While the actual costs on a year-over-year comparative basis decreased only marginally, $2.6 million, the margin decrease was quite pronounced, 71.3 percent of revenue in 2002 as compared to 64.0 percent in 2001. The lower margin resulted from a combination of a decline in equipment utilization and pricing leverage due to the lower demand for services; increases in fuel, insurance and equipment rental; and lower margin business relating to the acquisitions in the heavy oil hauling industry, which utilize sub-contractors almost exclusively, (utilizing sub-contractors results in lower operating margins which is offset by lower depreciation).

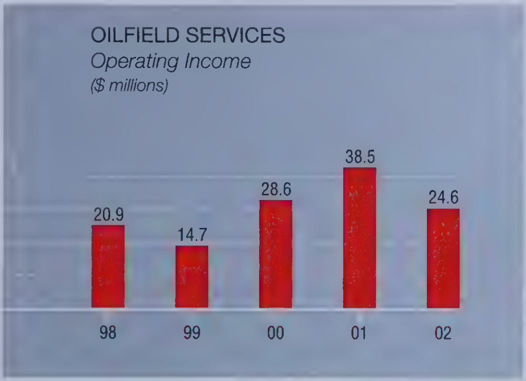
Operations in the Far North started strong in 2002, but virtually shut down in late spring and remained at low levels. Consequently, fourth quarter revenue was only half of the 2001 fourth quarter.

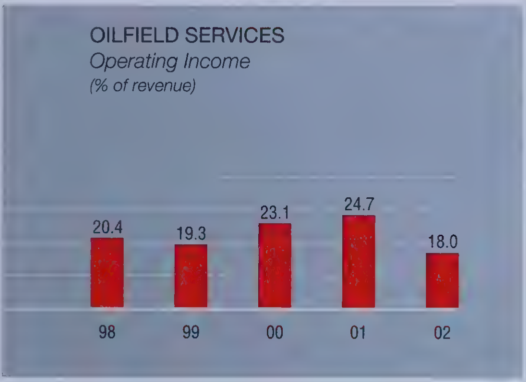
Selling and Administrative Expenses

Selling and administrative expenses decreased to $14.4 million in 2002 from $17.7 million in 2001. Salaries were $0.9 million higher, reflecting the administration costs of the new businesses acquired; however, the variable profit share plan, which is based on return on invested capital, declined by $3.9 million in the segment as income declined. Overall administrative costs declined by $3.3 million, and decreased to 10.6 percent of revenue in 2002 from 11.3 percent in 2001.

Operating Income

Operating income declined to $24.6 million or 18.0 percent of revenue in 2002 from $38.5 million or 24.7 percent of revenue in 2001, reflecting the $19.7 million decline in revenues as compared to the $5.9 million decline in operating expenses.





Capital Expenditures

The segment continued to make substantial investments in capital expenditures and had net capital expenditures of $9.7 million, which excludes $4.1 million of dispositions of redundant assets related to the acquisitions, down from $13.2 million in 2001. Capital expenditures included upgrades to more efficient equipment, and additional assets to prepare the segment for anticipated higher demand in 2003. In addition, the segment acquired $36.0 million of fixed assets with the seven acquisitions (see Acquisitions: note 3 on page 39 of the annual financial statements).

Trucking Segment

Cascade Carriers Ltd.
Grimshaw Trucking Ltd.
Mill Creek Equipment Ltd.
Mill Creek Motor Freight Inc.
Mullen Trucking Inc. – Truckload

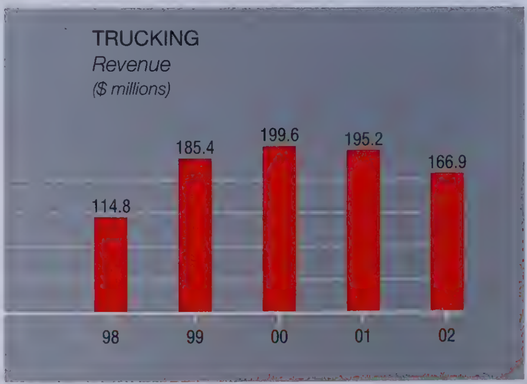
The Trucking segment is diversified as it provides various types of trucking services in Canada, the continental United States and Mexico. Cascade Carriers Ltd. operates primarily in Alberta as a dry bulk transportation service for the construction and oil and gas industries. It also transports anhydrous ammonia and liquid petroleum gas, using specialized trailers.

Grimshaw Trucking Ltd. provides less-than-truckload service to approximately 200 towns and cities in northern Alberta, British Columbia and the Northwest Territories. Mill Creek Equipment Ltd., located in Cambridge, Ontario and its subsidiary, Mill Creek Motor Freight Inc., located in Holland, Michigan, provides truckload and less-than-truckload highway van service throughout Canada, the continental United States and Mexico. Mill Creek transports a wide variety of commodities with emphasis on transporting higher valued goods such as computers and other electronic items and office furniture. Mullen Trucking – Truckload, based in Aldersyde, Alberta, provides an irregular route truckload and less-than-truckload service throughout Canada and the continental United States. It moves a wide range of products, such as oilfield equipment, lumber, steel products and other building materials, industrial equipment and heavy construction equipment such as bulldozers and graders. The movement of such diverse products requires a wide variety of trailers.

Competition in this segment is intense. It includes both smaller, local companies and major international transportation companies in Canada and the United States that compete for different parts of the business.

Revenue

Revenues in the Trucking segment decreased by $28.3 million or 14.5 percent to $166.9 million in 2002 from $195.2 million in 2001. The decrease was primarily due to a $17.9 million decline in Mill Creek revenue, which had the loss of a major customer in 2001, as well as the impact of a slower United States economy and weak demand for the products it transports, such as computers and office furniture. Mullen Trucking Inc. – Truckload and Cascade Carriers Ltd. also recorded lower revenue due to less demand for their services in the oil and gas industry. Grimshaw Trucking Ltd. had a small increase in revenue.



Operating Expenses

Operating expenses, which include direct operating expenses and selling and administrative expenses, decreased by $20.5 million to $148.1 million in 2002 from $168.6 million in 2001. The decrease can be attributed to declines in variable operating costs, which fall as revenues fall, and lower profit share expense, a cost based upon the return on invested capital.

Direct Operating Expenses

Direct operating costs were $129.2 million or 77.4 percent of revenue in 2002, versus $148.4 million or 76.0 percent in 2001. The $19.2 million decrease resulted from a reduction in variable costs associated with the $28.3 million decline in revenues. The Company's strategy of utilizing fewer company owner and operated trucks and more owner operated and subcontractors, ("contractors"), which are variable costs, allowed the Company to reduce the negative effects associated with revenue declines.

In 2002 payments to contractors were $66.4 million, or 39.8 percent of revenue, as compared to $73.5 million or 37.7 percent in 2001. The Company generated margins on revenue earned by contractors of 23.4 percent in 2002 as compared to 25.2 percent in 2001, primarily due to the extensive use of subcontractors which has lower margins.

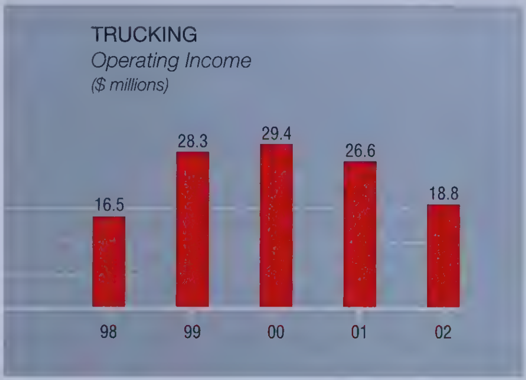
Total direct operating costs related to company owned or leased equipment, ("company"), including major expenses such as – driver wages, fuel, licenses, insurance, repairs and maintenance – declined to $62.8 million in 2002 from $74.9 million in 2001. The operating margin on company equipment declined to 20.9 percent as compared to 21.8 percent the prior year as a result of lower equipment utilization and the higher fixed cost component associated with operating company equipment.

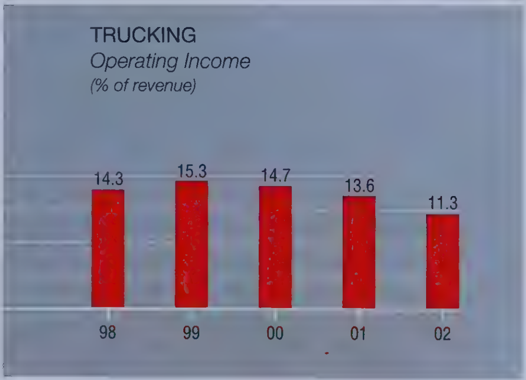
Selling and Administrative Expenses

Selling and administrative expenses decreased to $18.9 million or 11.3 percent of revenue in 2002, from $20.2 million or 10.3 percent of revenue in 2001. The decrease of $1.3 million was mainly due to a lower profit share expense, which declined by $1.7 million in 2002 due to lower return on invested capital. This decline was partially offset by small increases in salaries and other administrative expenses.

Operating Income

Operating income declined to $18.8 million or 11.3 percent of revenue in 2002 from $26.6 million or 13.6 percent of revenue in 2001. The $7.8 million decrease is due to the $28.3 million drop in revenues as compared to the $20.5 million decrease in operating expenses.





Capital Expenditures

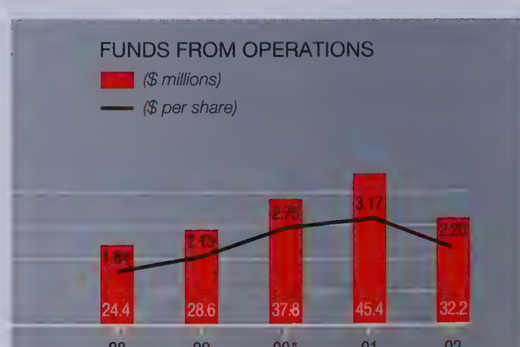
Net capital expenditures decreased to $3.9 million in 2002 from $4.2 million in 2001 and included $2.9 million of trucks and trailers as Mill Creek exercised the option to purchase leased equipment. This purchase reduced the equipment lease expense and enabled Mill Creek to retain that equipment versus buying new, expensive equipment when utilization and operating margins indicated that would not be prudent. This caused higher repairs and maintenance, a variable expense, but reduced the fixed leasing costs. In the United States, Mill Creek made the final payment on its financed equipment and sold most of the trucks to both downsize the business and maximize the use of owner operators. Mullen Trucking also exercised the option to purchase some truck leases in order to reduce fixed costs.

Corporate

Capital and Liquidity

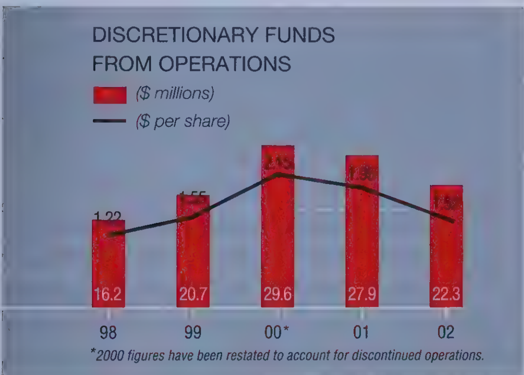
Funds from continuing operations decreased by 29.1 percent to $32.2 million in 2002, from $45.4 million in 2001. This equates on a per share basis to $2.20 in 2002, down 30.6 percent from $3.17 in 2001. The Company started the year with $14.3 million of cash, which increased available funds to $46.5 million. Those funds, plus $4.0 million generated from the exercise of stock options, $8.6 million from short-term lending, $30.0 million as proceeds of a new long-term debt facility, and other for $0.9 million, totaled $90.0 million. The cash was used to fund: $10.8 million of non-cash working capital items, mainly to finance increased accounts receivables associated with the new acquisitions; repayment of debt of $6.7 million; dividends paid of $5.8 million; net fixed assets of $9.9 million; and $56.8 million for acquisitions (see note 3 of the financial statements). An additional $1.4 million of the total acquisitions cost was paid with the issue of 49,000 common shares.

At December 31, 2002 the Company had $8.6 million of bank indebtedness, which utilized part of the $35.0 million operating line of credit. The Company also negotiated a $30.0 million term loan facility (see note 7 of the financial statements) which was also used to fund the acquisitions.



*2000 figures have been restated to account for discontinued operations.

Discretionary funds from operations, or funds generated from operations after net fixed asset expenditures, declined to $22.3 million or $1.52 per share in 2002, from $27.9 million or $1.95 per share in 2001. The drop was primarily due to an $11.9 million decrease in net income that was partially offset by a $7.6 million decrease in net fixed asset expenditures.

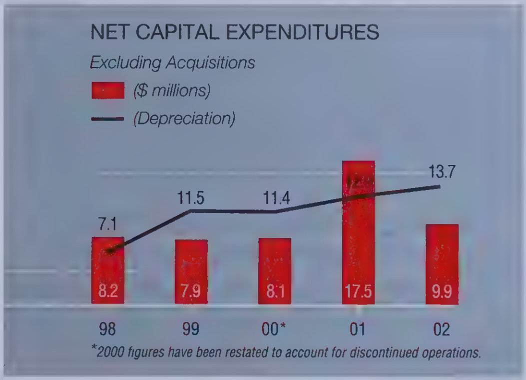


Long-term Debt

The Company started 2002 with $1.0 million of long-term debt, which was paid off in August, 2002. The Company also assumed $6.2 million of debt with the acquisitions, of which $5.7 million was paid off immediately, leaving $0.5 million to be repaid by June 2004. In December the Company also finalized a new $30.0 million extendable, revolving term loan facility, which has no current portion payable, and fully utilized this facility immediately prior to year-end. The Company's debt to equity ratio was 0.2:1 at December 31, 2002.

Capital Expenditures (Fixed Assets)

During the year the Company's net fixed asset expenditures were $9.9 million, down from $17.5 million in 2001. Acquisitions resulted in an additional $36.0 million of new fixed assets which satisfied some of the operating companies' capital requirements and eliminated the need for normal, fixed asset expenditures. Actual additions were $18.2 million while proceeds of disposition were $8.3 million. Most additions involved trucks and trailers. The Oilfield Services segment had net capital expenditures of $5.6 million in 2002, down from $13.2 million in 2001. This was mainly due to dispositions of $5.8 million, which included the sale of $4.1 million of redundant assets purchased with the acquisitions. The Trucking segment had $3.9 million of net fixed asset expenditures in 2002, down from $4.2 million in 2001. Other capital expenditures were $0.4 million.



Acquisitions

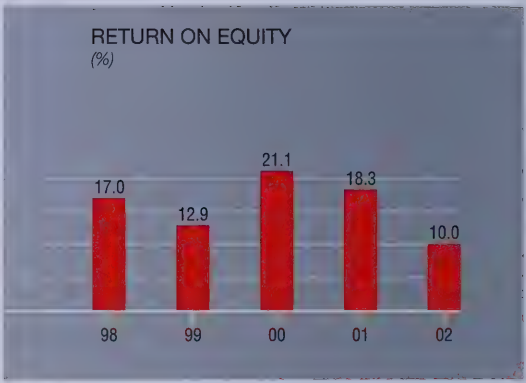
During the year the Company paid $56.8 million net cash and $1.4 million via share issuance for acquisitions, for total expenditures of $58.2 million. These expenditures were related to seven business acquisitions, all in the Oilfield Services segment. Four of the acquisitions were asset-based and the other three were the purchase of shares. All acquisitions are 100 percent owned and all were accounted for by the purchase method. Results of operations from the acquisition dates have been included in the financial statements for the year.

Shareholders' Equity

Share capital increased by $5.4 million reflecting proceeds from the issue of 282,867 shares. This included stock options exercised for $4.0 million at an average price $14.26 per share and the issue of 49,000 shares for $1.4 million at an average price $28.93 per share as partial consideration for one of the acquisitions. The number of stock options outstanding decreased from 700,200 to 609,333 at the end of the year.

Retained earnings increased from $119.6 million at year-end 2001 to $132.4 million at year-end 2002, reflecting net income of $18.6 million and dividends of $5.9 million. Mullen Transportation declared dividends of $0.20 per share at July 5, 2002 and December 31, 2002.

Return on equity declined to 10.0 percent in 2002 from 18.3 percent in 2001, as income declined and average equity was higher in 2002. Also, earnings from acquisitions did not contribute to income until late in the year and the Company had non-productive cash and working capital until the acquisitions were completed.



Business Risks

The Company is subject to certain economic risks, which include either a downturn in the general economy or a slowdown in oil and gas exploration and production activity. These risks continue and the Company was exposed to a slowdown in the oil and gas sector in 2002. Mullen Transportation manages this risk by diversifying its operations and by the use of subcontractors and owner operators. This strategy reduced the fixed cost structure in 2002 and enabled the Company to be profitable despite a 13.5 percent decrease in revenue. The revenue decline would have been higher if the seven acquisitions were not included.

The Company currently has debt of $30.5 million, most of which is at a floating interest rate. The Company is at risk of interest rates rising but has the ability to lock in the term debt rate. Alternatively, with its substantial cash flow, the Company could repay a substantial portion of its debt within a year.

Mullen Transportation also has a foreign exchange risk. A stronger Canadian dollar would be detrimental since the Company generates surplus U.S. dollars. Operations are structured to minimize this negative effect.

The Company is at risk of labour disruption in its business units which have collective agreements with its employees. The Company has four business units with negotiated labour contracts. Mullen Transportation believes it has a strong and positive working relationship with its employees.

The Company also is subject to lawsuits for accidents and cargo claims. This risk is reduced by maintaining adequate insurance with reasonably low deductibles, the use of subcontractors who have their own insurance, and high safety standards.

Outlook

The Company just completed a challenging year. We entered 2002 expecting business to be slower than 2001 in the first six months, before rebounding in the second half. The first half of the year was slower as expected, but the rebound in the second half of the year did not happen until very late in the fourth quarter. Our results reflect this reality. We experienced a resurgence of oil and gas drilling activity in December, which was too late to have a significant impact on the year's results. However, the current high oil and natural gas prices, and the low levels of storage for those commodities, are stimulating the oil and gas drilling industry and the number of wells drilled in 2003 is expected to be up substantially.

The Company completed seven acquisitions in the Oilfield Services segment in 2002 and expects those businesses will have a strong year as will the other businesses in that segment. The Trucking segment had a poor year in 2002. Although we believe the trucking industry has bottomed out, we do not see a rebound in that segment as the United States and Canadian economies appear to be in some difficulty. We may see some operational improvements in 2003, but do not anticipate a fundamental improvement in the industry.

Mullen Transportation will continue to benefit from regulatory tax changes as the current combined federal and Alberta tax rates will decline by at least two percent in 2003, from 39.1 percent to 37.1 percent of income before tax.

On balance, we are much more optimistic about 2003 than we were about 2002. We believe the excess capacity in the trucking industry will continue to decline and the Oilfield Services segment, which had a good start to the year, should remain above 2002 levels. The Company is well positioned for 2003 with beginning working capital of $33.2 million and a debt to equity ratio of 0.2:1. This leaves us in a strong financial position, capable of continuing to take advantage of opportunities as they arise.

Management's Report to the Shareholders

The accompanying consolidated financial statements of Mullen Transportation Inc. have been approved by the Board of Directors and have been prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with these financial statements. All information, including financial, in the annual report is the responsibility of management.

Management maintains accounting control systems designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, financial records are accurately maintained and statements are generated in a timely manner.

The Board of Directors and management have established corporate governance practices that are consistent with guidelines set out in the report issued by The Toronto Stock Exchange Committee on Corporate Governance in Canada.

The Board of Directors oversees the management of the business and the affairs for the Company including ensuring management fulfills its responsibility for financial reporting, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors, comprised of three members considered to be "outside" and "unrelated" directors, has reviewed the financial statements with management and the external auditors. An independent firm of chartered accountants, appointed as external auditors by the shareholders, has audited the consolidated financial statements and its report is included herein.

Murray K. Mullen
Chairman, President and
Chief Executive Officer

David E. Olson
Vice President, Finance and
Chief Financial Officer

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Mullen Transportation Inc. as at December 31, 2002 and 2001 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada

February 20, 2003

Consolidated Balance Sheets

December 31, 2002 and 2001 (in thousands of dollars)	2002	2001
Assets		
Current assets:		
Cash	$ –	$ 14,336
Accounts receivable	**61,637**	49,528
Income taxes recoverable	**4,510**	–
Prepaid expenses	**8,437**	6,669
	74,584	70,533
Investments (note 4)	**10,352**	9,949
Fixed assets (note 5)	**149,160**	116,769
Goodwill (notes 1 and 2)	**58,015**	31,987
Other assets	**2,421**	2,299
	$ 294,532	$ 231,537
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 6)	**$ 8,602**	$ –
Accounts payable and accrued liabilities	**29,431**	24,456
Dividends payable	**2,955**	2,889
Income taxes payable	–	1,261
Current portion of long-term debt (note 7)	**412**	1,038
	41,400	29,644
Long-term debt (note 7)	**30,094**	–
Future income taxes (note 8)	**28,351**	25,373
Shareholders' equity:		
Share capital (note 9)	**62,084**	56,632
Retained earnings	**132,387**	119,633
Currency translation adjustment	**216**	255
	194,687	176,520
	$ 294,532	$ 231,537

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors:

Director

Director

Consolidated Statements of Income

Years ended December 31, 2002 and 2001 (in thousands of dollars, except per share amounts)	2002	2001
Revenue	$ 302,512	$ 349,582
Expenses:		
Direct operating	224,729	246,534
Selling and administrative	34,420	37,794
Operating income	43,363	65,254
Depreciation and amortization	13,975	12,937
Interest on long-term debt	36	158
Other interest	226	44
Gain on sale of fixed assets	(255)	(325)
Income before income taxes, earnings from equity investments and amortization of goodwill	29,381	52,440
Provision for income taxes (note 8):		
Current	10,906	19,624
Future	773	745
	11,679	20,369
Income before earnings from equity investments and amortization of goodwill	17,702	32,071
Earnings from equity investments	945	479
Income before amortization of goodwill	18,647	32,550
Amortization of goodwill (note 1(d))	–	2,040
Income from continuing operations	18,647	30,510
Income from discontinued operations (note 13)	–	169
Net income	$ 18,647	$ 30,679
Basic earnings per share:		
Continuing operations before amortization of goodwill	$ 1.27	$ 2.28
Continuing operations after amortization of goodwill	$ 1.27	$ 2.13
Income before amortization of goodwill	$ 1.27	$ 2.29
Net income	$ 1.27	$ 2.14
Diluted earnings per share:		
Continuing operations before amortization of goodwill	$ 1.25	$ 2.21
Continuing operations after amortization of goodwill	$ 1.25	$ 2.07
Income before amortization of goodwill	$ 1.25	$ 2.22
Net income	$ 1.25	$ 2.08

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Years ended December 31, 2002 and 2001 (in thousands of dollars)	2002	2001
Retained earnings, beginning of year	**$ 119,633**	$ 108,055
Net income	**18,647**	30,679
Split off of Moveitonline (note 13)	**–**	(13,328)
Dividends	**(5,893)**	(5,773)
Retained earnings, end of year	**$ 132,387**	$ 119,633

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2002 and 2001 (in thousands of dollars)	2002	2001
Cash provided by (used in):		
Operations:		
Net income from continuing operations	$ 18,647	$ 30,510
Items not involving cash:		
Depreciation and amortization	13,975	14,977
Gain on sale of fixed assets	(255)	(325)
Future income taxes	773	745
Earnings from equity investment	(945)	(479)
Funds provided from operations	32,195	45,428
Changes in non-cash working capital items	(10,834)	(4,338)
	21,361	41,090
Financing activities:		
Repayment of long-term debt	(6,709)	(3,375)
Proceeds of long-term debt	30,000	–
Net proceeds of common share issues	4,034	6,052
Dividends paid	(5,827)	(5,686)
Bank indebtedness	8,602	–
	30,100	(3,009)
Investing activities:		
Fixed asset additions	(18,244)	(23,284)
Proceeds on sale of fixed assets	8,354	5,745
Acquisitions (note 3)	(56,769)	(1,000)
Equity investment	–	(5,533)
Cash distribution from equity investee	900	300
Other assets	(38)	66
	(65,797)	(23,706)
Cash (used in) generated by continuing operations	(14,336)	14,375
Cash generated by discontinued operations (note 13)	–	308
Increase (decrease) in cash	(14,336)	14,683
Cash, beginning of year	14,336	1,112
Split off of Moveitonline (note 13)	–	(1,459)
Cash, end of year	$ –	$ 14,336
Supplemental cash flow information:		
Interest paid	$ 262	$ 202
Income taxes paid	$ 17,411	$ 23,520

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001
(Tabular amounts stated in thousands of dollars)

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of Mullen Transportation Inc. (the "Company") and subsidiaries and partnerships, all of which are wholly-owned.

(b) Investments:

Investments in affiliates over which the Company has significant influence are accounted for using the equity method. Portfolio investments are carried at cost. If management determines there is a permanent decline in value in underlying assets and no expectation of future earnings, these investments are written down to net realizable value.

(c) Fixed assets, depreciation and amortization:

Fixed assets are recorded at cost. Depreciation on additions and disposals is prorated from the month of purchase or disposal. Depreciation is provided annually over the estimated useful lives of the assets on the diminishing balance basis at the following rates:

Buildings	2.5 – 8%
Trucks and trailers	10 – 20%
Equipment, furniture and fixtures	20%
Automobiles, computer equipment and computer software	30 – 50%
Satellite communications equipment	20%

Specialized tracked vehicles are depreciated on an hourly usage basis.

Other assets include intangibles after amortization of $940,000 (2001 – $854,000). Intangible assets are amortized on a straight-line basis over five years. For the year ended December 31, 2002 amortization expense with respect to these intangibles is $263,570 (2001 – $204,237).

1. Significant accounting policies (continued):

(d) Goodwill:

Goodwill represents amounts paid on the acquisition of businesses in excess of the value assigned to identifiable net assets. Management evaluates, on a segmented basis, using a fair value method based on a capitalization of earnings, the value of goodwill annually or when there is considered to be an impairment. If there is an impairment, the goodwill would be written down to its estimated value. Accumulated amortization at December 31, 2001 amounts to $4,756,000 and is unchanged at December 31, 2002 due to the new accounting policy in which goodwill is no longer amortized.

(e) Revenue recognition:

Revenue is recognized when the transportation of goods is completed.

(f) Income taxes:

The Company follows the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on “temporary differences” (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. Income tax expense is the sum of the Company’s provision for current income taxes and the difference between opening and ending balances of the future income tax assets and liabilities.

(g) Stock-based compensation plans:

The Company has a stock-based compensation plan, which is described in Note 9(c). No compensation expense is recognized for this plan when stock or stock options are issued to employees. Consideration paid by employees on exercise of stock options is credited to share capital.

(h) Foreign currency:

The Company’s United States subsidiary is considered integrated and is translated to Canadian dollars using average exchange rates for the year for revenue and expenses. Monetary assets and liabilities are translated at the year-end current exchange rate and non-monetary assets and liabilities are translated using historical rates of exchange. Gains or losses resulting from these translation adjustments are included in net income.

(i) Comparative information:

Certain comparative financial information has been reclassified to conform with the current financial statement presentation.

2. Accounting changes:

(a) *Business combinations, goodwill and other intangible assets:*

Effective January 1, 2002 the Company prospectively adopted the new Canadian accounting standards relating to business combinations, goodwill, and other intangible assets.

Under the new accounting standard for business combinations, the purchase method must be used for all business combinations and the corporation is required to identify goodwill and other intangible assets that arise from contractual or legal rights that can be sold separately. As at January 2, 2002 the Company segregated $854,000 of intangible assets from goodwill.

Under the new standard for accounting for goodwill, goodwill is no longer amortized but is tested for impairment at least annually. The Company was required to assess the goodwill within six months of the January 1 adoption date to determine if there was any impairment of goodwill, which would be charged to retained earnings effective January 1, 2002. The Company has assessed goodwill on a segmented basis using a fair market value method based on capitalization of earnings. The assessment determined that there was no impairment of goodwill and therefore no charge to retained earnings.

(b) *Accounting for foreign subsidiary:*

Effective December 2002, the Company re-designated its United States subsidiary as integrated. As a result, the temporal method is now used to account for this subsidiary, as disclosed in note 1(h). Previously, the subsidiary was considered self sustaining and the current rate method was used for accounting purposes. Under this method, assets and liabilities were translated at year-end exchange rates and items included in the statements of operations were translated at weighted average rates. The resulting translation gains and losses were deferred as a separate component of shareholders' equity, and will continue to be deferred until there is a realized reduction in the net investment.

3. Acquisitions:

(a) During the year ended December 31, 2002, the Company acquired the businesses and certain assets of seven privately held corporations engaged in oilfield servicing for net cash consideration of $56,769,000 (gross cash paid less cash position of the entity acquired) and shares of $1,418,000. The most significant acquisitions occurred in October, 2002 when the Company acquired certain assets of Kam's Oilfield Services (KAMS) for cash consideration of $16,055,000 and when the Company acquired certain assets of Temor Oil Services (1974) Ltd. (TEMOR) for cash consideration of $21,922,000. On one of the other acquisitions the Company may pay a maximum of $500,000 of additional contingent cash consideration, if certain financial targets for the period November 1, 2002 to October 31, 2003 are met. This amount will be added to goodwill should it become payable. The acquisitions were accounted for by the purchase method and the results of operations from the acquisition date have been included in these financial statements.

(Tabular amounts stated in thousands of dollars)

3. Acquisitions (continued):

Details of acquisitions are as follows:

	KAMS	TEMOR	Other	Total
Assets:				
Non-cash working capital items	$ 130	$ 344	$ 3,733	$ 4,207
Fixed assets	12,634	7,324	16,030	35,988
Intangibles	–	–	350	350
Goodwill	3,291	14,254	8,483	26,028
	16,055	21,922	28,596	66,573
Assumed liabilities:				
Long-term debt	–	–	6,177	6,177
Future income taxes	–	–	2,209	2,209
	–	–	8,386	8,386
Net assets before cash position	16,055	21,922	20,210	58,187
Cash position	–	–	1,775	1,775
	16,055	21,922	21,985	59,962
Consideration:				
Cash	16,055	21,922	20,567	58,544
Common shares	–	–	1,418	1,418
	$ 16,055	$ 21,922	$ 21,985	$ 59,962

(b) On April 6, 2001 the Company acquired 49 percent of the issued and outstanding shares of an Inuvialuit owned and operated accommodation camp based in the Northwest Territories for consideration of $5,533,000. As an accommodation camp, it provides a wide range of support services to companies engaged in the exploration and development of oil and gas in the Inuvialuit Settlement Region, also known as the Mackenzie Delta Region, of the Northwest Territories. The camp is situated on land leased from the territorial government, and any site restoration costs arising at the end of the lease are undeterminable at December 31, 2002. The acquisition has been accounted for by the equity method, with the excess of the purchase price paid over the underlying net book value of assets acquired of $4.9 million allocated amongst the underlying fixed assets, future income tax liabilities and goodwill. Fair value increments are amortized over the life of the underlying asset, or as the liability is re-valued on an annual basis. Goodwill is not amortized. The Company included in its 2002 net income, $601,000 (2001 – $223,000) of earnings from this equity investment, net of amortization of goodwill of $nil (2001 – $45,000).

4. **Investments:**

	2002	2001
Portfolio investments, at cost	$ 3,569	$ 3,569
Investments accounted for by the equity method	6,783	6,380
	$ 10,352	$ 9,949

The market value of portfolio investments at December 31, 2002 is $3,733,000 (2001 – $3,150,000).

5. **Fixed assets:**

December 31, 2002	Cost	Accumulated depreciation	Net book value
Land	$ 6,204	$ –	$ 6,204
Buildings	22,931	4,805	18,126
Trucks and trailers	166,699	54,819	111,880
Equipment, furniture and fixtures	12,806	6,074	6,732
Automobiles, computer equipment and computer software	12,664	7,522	5,142
Satellite communications equipment	4,089	3,013	1,076
	$ 225,393	$ 76,233	$ 149,160

December 31, 2001	Cost	Accumulated depreciation	Net book value
Land	$ 5,967	$ –	$ 5,967
Buildings	20,826	4,141	16,685
Trucks and trailers	133,256	48,826	84,430
Equipment, furniture and fixtures	9,636	5,203	4,433
Automobiles, computer equipment and computer software	10,436	6,419	4,017
Satellite communications equipment	4,002	2,765	1,237
	$ 184,123	$ 67,354	$ 116,769

6. **Bank indebtedness:**

The Company has access to a $35 million revolving demand facility, which would bear interest at bank prime rate, or at bankers' acceptance rate plus a prime acceptance stamping fee. This demand facility is secured by limited guarantees of $36.2 million from specific subsidiaries, which are supported by general security agreements on accounts receivables.

7. Long-term debt:

	2002	2001
Bank term debt — On December 20, 2002 the Company agreed to a $30 million extendible revolving 364-day term facility convertible to a two year reducing facility. If the loan is not renewed on December 19, 2003, it converts to a two year reducing term facility payable in three equal semi-annual instalments commencing on December 19, 2004. Interest is at bank prime rate or at the bankers' acceptance rate, plus a prime acceptance fee of 1.2% per annum. This facility is secured by limited guarantees of $33 million from three specific subsidiaries of the Company. The guarantees are supported by general security agreements on these subsidiaries' assets	$ 30,000	$ –
Various financing loans with a rate of 6.79% with blended principal and interest payments of $36,104, expected to be repaid in 2004. These loans are secured by certain operating equipment	506	–
Various financing loans with rates between 7.5% and 8.62% with monthly blended principal and interest payments not exceeding $93,850. These loans are secured by specific operating equipment	–	1,038
	30,506	1,038
Less: current portion	412	1,038
	$ 30,094	$ –

Aggregate principal repayments of long-term debt are as follows:

2003	$ 412
2004	10,094
2005	20,000
	$ 30,506

...ed in thousands of dollars)

8. Income taxes:

The provision for income taxes differs from the amounts which would be obtained by applying the expected Canadian statutory income tax rates as follows:

	2002	2001
Income tax rate	39%	42%
Income before income taxes, earnings from equity investment and amortization of goodwill	$ 29,381	$ 52,440
Computed expected income tax expense	11,458	22,025
Reduction of future tax balances due to substantively enacted income tax rate reductions	(247)	(1,159)
Other	468	(497)
Provision for income taxes	$ 11,679	$ 20,369

In 2002 and 2001, the Government of Alberta enacted a corporate income tax rate reduction of 0.5 percent and 2.0 percent, respectively. The effect of the income tax rate reduction on the Company's future income tax balances has been reflected as a reduction of future income tax expense in 2002 and 2001. Tax rate reductions in Ontario and British Columbia have been reflected as a reduction of future income tax expense in 2001.

The future income tax liability of $28,351,000 (2001 – $25,373,000) results from the difference between the carrying value of fixed assets and their related tax value, at year end substantively enacted income tax rates, of $25,058,000 (2001 – $22,229,000), and the Company's share of partnership income taxable in future periods of $3,293,000 (2001 – $3,144,000).

9. Share capital:

(a) *Authorized:*

Unlimited number of common shares with no par value

Unlimited number of preferred shares with no par value

(b) *Issued:*

	Common shares	Amount
December 31, 2000	14,011,230	$ 50,580
Stock options exercised	431,650	6,052
December 31, 2001	14,442,880	56,632
Stock options exercised	282,867	4,034
Issued on acquisition of subsidiary	49,000	1,418
December 31, 2002	14,774,747	$ 62,084

(Tabular amounts stated in thousands of dollars)

9. Share capital (continued):

(c) *Stock-based compensation plan:*

As at December 31, 2002 there are stock options outstanding to purchase 609,333 (2001 – 700,200) common shares at prices ranging from $3.20 to $28.50 per share with expiry dates ranging from December 31, 2004 to November 7, 2012.

Under the Company Stock Option Plan, the Company may grant options to its employees and directors for an additional 334,650 shares of common stock which have been reserved for this purpose. Under the plan, the exercise price of each option equals the market price of the Company's stock on the date of the grant and an option's maximum term is 10 years. Options are granted throughout the year and vest over periods ranging up to three years under the Plan.

All stock options are granted at the market price at the date of the grant. Since January 1, 2002 there were 223,000 options granted at option prices ranging from $24.95 to $28.50. The per share weighted average fair value of stock options granted during the year ended December 31, 2002 was $14.74 based on the date of grant using the Black-Scholes option pricing model with the following assumptions: average risk-free interest rate of 5.25 percent, expected life of 3.5 years, maximum 10 year life, expected dividends of $0.40 per share and expected volatility of 83 percent. Had the Company determined compensation costs based on the fair value at the date of grant for its stock options granted since January 1, 2002, year to date net earnings would have decreased by $1.0 million to $17.7 million (Earnings per share basic – $1.21; diluted – $1.18). These proforma earnings reflect compensation costs amortized over the options' exercise period.

A summary of the status of the Company's stock option plan as of December 31, 2002 and 2001, and changes during the years ending on those dates is presented below.

	2002		2001	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	700,200	$ 13.66	1,116,850	$ 15.87
Granted	223,000	26.32	56,000	24.52
Exercised	(282,867)	(14.26)	(431,650)	(14.02)
Cancelled	(31,000)	(16.45)	(41,000)	(14.99)
Outstanding, end of year	609,333	$ 17.86	700,200	$ 13.66
Exercisable, end of year	356,141	$ 14.40	492,773	$ 12.41

9. Share capital (continued):

(c) Stock-based compensation plan (continued):

The range of exercise prices for options outstanding at December 31, 2002 are as follows:

	Options Outstanding			Exercisable Options	
Range of exercise prices	Number	Weighted average remaining contractual life (years)	Weighted average exercise price	Number	Weighted average exercise price
$ 3.20 to 11.70	79,650	2.3	$ 6.68	79,650	$ 6.68
12.45 to 17.20	300,500	5.6	14.58	225,500	14.85
20.20 to 28.50	229,183	9.1	26.08	50,991	24.45
3.20 to 28.50	609,333	6.5	$ 17.86	356,141	$ 14.40

(d) Basic and diluted earnings per share:

2002	Income (numerator)	Shares (denominator)	Per share amount
Basic earnings per share:			
Income available to common shareholders	$ 18,647	14,647,343	$ 1.27
Diluted earnings per share:			
Dilutive effect of stock option conversions		285,246	
Income available to common shareholders	$ 18,647	14,932,589	$ 1.25
2001			
Basic earnings per share:			
Income available to common shareholders	$ 30,679	14,312,857	$ 2.14
Diluted earnings per share:			
Dilutive effect of stock option conversions		447,764	
Income available to common shareholders	$ 30,679	14,760,621	$ 2.08

(e) Plan of arrangement:

Under the terms of the April 2001 Plan of Arrangement (note 13), the exercise price of stock options issued and outstanding prior to the split off of Moveitonline Inc. on June 1, 2001 was reduced by $3.80.

10. Commitments:

The Company is committed to payments under operating leases for equipment and buildings to 2007. Annual minimum payments required subsequent to 2002 are as follows:

2003	2,075
2004	1,326
2005	749
2006	621
2007	386

11. Financial instruments:

(a) *Fair values:*

The carrying values of bank indebtedness, accounts receivable, dividends payable, accounts payable and accrued liabilities approximate their fair value due to their short terms to maturity. The fair value of equity investments, finance contracts and other assets included in the consolidated balance sheet do not materially differ from their carrying values. The fair value of the long-term bank facility approximates its carrying value as it bears interest at floating rates.

(b) *Credit risk:*

The Company hauls a wide variety of freight for a broad customer base which spans numerous industries. Longer term contracts are with large, well established customers. During 2002 and 2001, no one customer accounted for more than 10 percent of the Company's revenue.

(c) *Foreign exchange rate fluctuation:*

The Company is exposed to foreign currency fluctuation in relation to its United States subsidiary and activity in foreign jurisdictions. Management believes this exposure is not material to its overall operations.

(d) *Interest rate risk:*

The Company is exposed to interest rate risk through a combination of fixed and floating rate borrowings. At December 31, 2002 virtually all of its long-term debt was in floating rate bank debt.

ted in thousands of dollars)

12. Segmented information:

The Company conducts its business through wholly-owned subsidiaries and partnerships which are categorized into two business segments. The Oilfield Services segment provides transportation services to the oil and gas industry which includes exploration and development companies and production and gas transmission companies. The Trucking segment provides both long haul and local transportation services to customers in various industries. International operations are not greater than 5 percent of revenue and total assets.

As per note 13, the logistics business segment was disposed of and has been accounted for as a discontinued business segment. The following segmented information is for continuing operations only and comparatives have been restated so as to remove the discontinued business segment.

Amounts between different segments are not eliminated in reporting revenue and operating income by business segment. They are eliminated in reporting total consolidated revenue and operating income.

				Intersegment eliminations		
2002	Oilfield Services	Trucking	Other	Oilfield Services	Trucking	Total
Revenue	$ 136,317	$ 166,929	$ 1,025	$ (490)	$ (1,269)	$ 302,512
Operating income	24,682	18,794	(113)	–	–	43,363
Depreciation and amortization	8,681	5,265	29	–	–	13,975
Total assets	192,721	87,354	14,457	–	–	294,532
Capital expenditures[1]	11,442	6,362	440	–	–	18,244
Goodwill	40,139	17,876	–	–	–	58,015
2001						
Revenue	$ 155,952	$ 195,178	$ 74	$ (625)	$ (997)	$ 349,582
Operating income	38,493	26,550	211	–	–	65,254
Depreciation and amortization	6,975	5,736	226	–	–	12,937
Total assets	111,588	90,126	29,823	–	–	231,537
Capital expenditures[1]	16,154	7,064	66	–	–	23,284
Goodwill	14,111	17,876	–	–	–	31,987

[1] Excludes business acquisitions

(Tabular amounts stated in thousands of dollars)

13. Discontinued operations:

Under the terms of the April 2001 Plan of Arrangement, the proprietary web-enabled e-business and the logistics division ("Moveitonline") was disposed of on June 1, 2001 and has been accounted for as discontinued operations. The net income attributable to the discontinued operations for the period ending December 31, 2001 is as follows:

December 31	2002	2001
Revenue of discontinued operations	$ –	$ 12,582
Net income before income taxes	–	1,012
Income taxes	–	406
Results of operations prior to plan approval	–	606
Loss on disposal	–	(755)
Income taxes recovered	–	318
Net income from discontinued operations	$ –	$ 169

The loss on disposal relates to the costs of disposition of Moveitonline. The amount charged against retained earnings of $13,328,000 in 2001 represents the equity of Moveitonline at the time of disposal.

Earnings per share from the discontinued operations are as follows:

December 31	2002	2001
Earnings per share from discontinued operations	$ –	$ 0.04
Loss on disposal per share from discontinued operations	–	(0.03)
Earnings per share from discontinued operations	$ –	$ 0.01

ted in thousands of dollars)

14. Related party transactions:

All transactions are provided in the normal course of business under the same terms and conditions as transactions with unrelated companies.

2002	Transportation services	Other	Management fee	Sale of fixed assets
Revenues from related parties:				
Related by equity investment (a)	$ 757	$ 113	$ 900	$ –
Related by common director (b)	8,890	288	–	45
	$ 9,647	$ 401	$ 900	$ 45
Expenses paid to related parties:				
Related by equity investment (a)	$ 29	$ 62		$ 14
Related by common director (b)	832	1,161		289
	$ 861	$ 1,223		$ 303
2001				
Revenues from related parties				
Related by equity investment (a)	$ 388	$ –	$ 300	$ –
Related by common director (b)	8,536	–	–	–
	$ 8,924	$ –	$ 300	$ –
Expenses paid to related parties				
Related by equity investment (a)	$ –	$ –		$ –
Related by common director (b)	–	920		–
	$ –	$ 920		$ –

2002	Accounts receivable	Other assets	Accounts payable
Related by equity investment (a)	$ 428	$ 500	$ –
2001			
Related by equity investment (a)	$ 346	$ 500	$
Related by common director (b)	3,270	–	328
	$ 3,616	$ 500	$ 328

14. Related party transactions (continued):

(a) Transactions related by equity investments relate to all businesses where the Company has an equity interest.

Other assets of $500,000 at December 31, 2002 and 2001 are a loan to a party related through an equity investment. The loan bears interest at 12 percent and is repayable upon demand.

(b) Transactions related by common director include:

(i) Transactions with a former subsidiary disposed of on May 31, 2001 whereby an officer and director of the Company is also a director of the former subsidiary.

(ii) Transactions with an oilfield services company, operating in the Northwest Territories, of which certain officers held a 35 percent equity interest until September 15, 2002. At September 30, 2002 the oilfield services company issued shares for nominal consideration to Mullen Transportation Inc., which now owns a 35 percent interest. Transactions subsequent to September 30, 2002 are included in the transactions with the equity investments. Prior to September 15, 2002 the Company provided transportation services in 2002 of $8,890,000, and in 2001 for 12 months ended December 31, 2001, $3,334,000. The oilfield services company earned brokerage fees of $832,000 to September 30, 2002, $631,000 for 12 months ended December 31, 2001. Accounts receivable at December 31, 2001 were $2,752,000 and accounts payable were $271,000.

(iii) Transactions with other private companies owned or controlled by officers or directors.

Seven Year Selected Financial Data

Years ended December 31 ($ thousands, unaudited)	2002	2001	(restated)* 2000	1999	1998	1997	1996
Revenue	$ **302,512**	$ 349,582	$ 322,330	$ 261,111	$ 216,980	$ 228,522	$ 183,317
Expenses							
Direct operating expenses	**224,729**	246,534	230,090	189,828	154,106	160,726	134,049
Selling and administrative expenses	**34,420**	37,794	34,788	27,967	24,659	25,611	19,726
Operating income before the following	**43,363**	65,254	57,452	43,316	38,215	42,185	29,542
Depreciation	**13,975**	12,937	11,362	11,504	7,077	6,559	6,249
Interest on long-term debt	**36**	158	460	858	203	552	906
Other interest	**226**	44	44	67	–	125	109
Gain on sale of fixed assets	**(255)**	(325)	(508)	(730)	(345)	(365)	(15)
Income before income taxes, earnings from equity investment and amortization of goodwill	**29,381**	52,440	46,094	31,617	31,280	35,314	22,293
Provision for income taxes							
Current	**10,906**	19,624	19,179	13,818	13,570	15,277	8,932
Future	**773**	745	(2,554)	–	–	–	–
Deferred	**–**	–	–	881	753	1,249	1,776
	11,679	20,369	16,625	14,699	14,323	16,526	10,708
Income before earnings from equity investment and amortization of goodwill	**17,702**	32,071	29,469	16,918	16,957	18,788	11,585
Earnings from equity investment	**945**	479	42	–	770	–	–
Net income before amortization of goodwill	**18,647**	32,550	29,511	16,918	17,727	18,788	11,585
Amortization of goodwill	**–**	2,040	1,399	1,152	165	–	–
Net income from continuing operations	$ **18,647**	$ 30,510	$ 28,112	$ 15,766	$ 17,562	$ 18,788	$ 11,585
Net income from discontinued operations	**–**	169	2,659	–	–	–	–
Net income	$ **18,647**	$ 30,679	$ 30,771	$ 15,766	$ 17,562	$ 18,788	$ 11,585

** 2000 figures have been restated to account for discontinued operations.*

Seven Year Selected Financial Data

Years ended December 31 ($ thousands, unaudited)	**2002**	2001	(restated)* 2000	1999	1998	1997	1996
RATIOS — OPERATING							
Return on equity[1]	**10.0%**	18.3%	21.1%	12.9%	17.0%	21.9%	16.6%
Gross margin — percent of revenue[2]	**25.7%**	29.5%	28.6%	27.3%	29.0%	29.7%	26.9%
Selling and administrative expenses (percent of revenue)	**11.4%**	10.8%	10.8%	10.7%	11.4%	11.2%	10.7%
Operating Ratio[3]	**90.2%**	85.5%	86.0%	88.0%	85.5%	84.3%	87.3%
FINANCIAL POSITION							
Acid test ratio[4]	**1.60**	2.15	1.61	2.25	1.72	2.66	2.24
Net fixed assets	**$ 149,160**	$ 116,769	$ 111,615	$ 93,288	$ 72,569	$ 64,163	$ 63,470
Total assets	**$ 294,532**	$ 231,537	$ 228,999	$ 176,802	$ 144,987	$ 137,331	$ 114,021
Long-term debt (including current portion)	**$ 30,506**	$ 1,038	$ 4,274	$ 6,211	$ –	$ 5,291	$ 9,439
Shareholders' equity	**$ 194,687**	$ 176,520	$ 158,535	$ 133,387	$ 111,155	$ 95,917	$ 75,897
Debt to equity[5]	**0.20**	0.01	0.03	0.05	0.00	0.06	0.12
Funds from operations[6]	**$ 32,195**	$ 45,428	$ 37,769	$ 28,573	$ 24,442	$ 26,231	$ 19,595
COMMON SHARE DATA							
Funds from operations per share[7]	**$ 2.20**	$ 3.17	$ 2.75	$ 2.15	$ 1.84	$ 1.99	$ 1.51
Book value per share[8]	**$ 13.18**	$ 12.22	$ 11.31	$ 9.76	$ 8.45	$ 7.25	$ 5.82
Earnings per share[9]	**$ 1.27**	$ 2.14	$ 2.24	$ 1.18	$ 1.32	$ 1.43	$ 0.89
Price earnings ratio[10]	**23.6**	11.7	12.5	16.5	12.3	14.7	17.4
Weighted average number of common shares outstanding (thousands)	**14,647**	14,313	13,741	13,310	13,258	13,176	13,003

** 2000 figures have been restated to account for discontinued operations.*

1 Return on equity was calculated by dividing net income by average shareholders' equity.

2 Gross margin was calculated by dividing sales less direct operating costs by sales.

3 Operating ratio was calculated by dividing the total cost before taxes, and interest as a percentage of revenue.

4 Acid test ratio was calculated by dividing cash plus receivables by current liabilities.

5 Debt to equity was calculated by dividing total debt by shareholder's equity.

6 Funds from operations were calculated as funds from operations before the effect of changes in non cash working capital items.

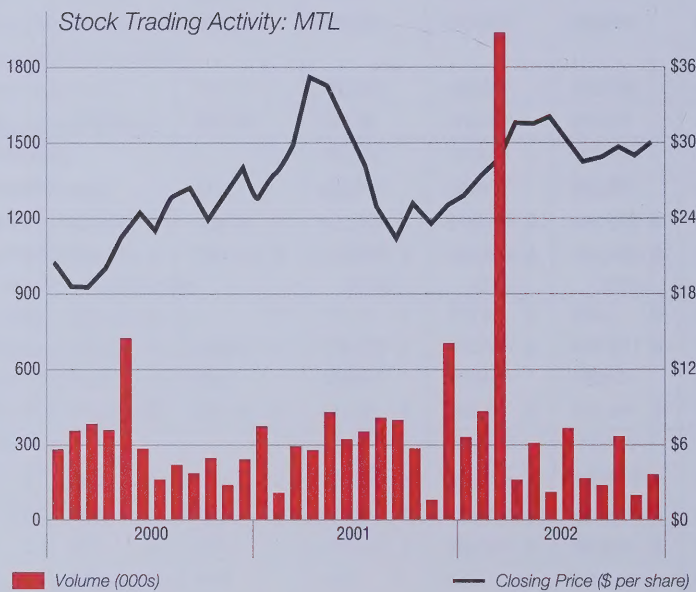
7 Funds from operations per share were calculated by dividing funds from operations by weighted average number of shares outstanding.

8 Book value per share was calculated by dividing common shareholders' equity by the number of common shares outstanding.

9 Earnings per share was calculated by dividing net income by the weighted average number of shares outstanding.

10 Price earnings ratio was calculated by dividing year-end closing price by earnings per share.

Shareholder Information



Opening price January 1, 2002:	$ 24.95
Closing Price December 31, 2002:	$ 30.00
Total number of shares traded in 2002:	4,542,015

Transfer Agent and Registrar

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T2P 4P4
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Stock Exchange

The Toronto Stock Exchange
Trading Symbol: MTL

Online Information

This annual report can be viewed electronically at: www.mullen-trans.com

Notice of Annual Meeting of Shareholders

The Annual Meeting of Shareholders of Mullen Transportation Inc. will be held on May 7, 2003 in the McMurray Room at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta at the hour of 3:00 p.m.

Corporate Information

Directors and Officers

Roland O. Mullen [2]
Director

Murray K. Mullen
Chairman, President,
Chief Executive Officer and Director

Bruce W. Mullen
Senior Vice President and Director

David E. Mullen
Senior Vice President and Director

Francis M. Saville, Q.C. [2]
Director

K. Guy Nelson [1]
Director

Bruce W. Simpson [1, 2]
Director

S. Patrick Shouldice [1, 2]
Director

David E. Olson
Vice President, Finance and
Chief Financial Officer

James E. Little
Vice President, Quality and Training

Sharon L. Kaiser
Corporate Secretary

[1] Member of the Audit Committee

[2] Member of the Compensation, Nomination and Corporate Governance Committee

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Banker

The Royal Bank of Canada
Calgary, Alberta

Legal Counsel

Carscallen Lockwood, LLP
Calgary, Alberta

Auditors

KPMG LLP
Calgary, Alberta

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Mullen

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